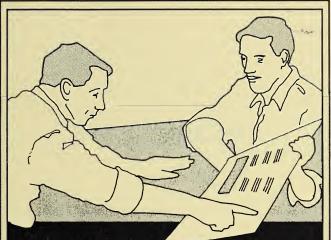
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Cost Accounting

Module 4

Learning Facilitator's Manual

ACCOUNTING 30





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**Accounting 30** 

# LEARNING FACILITATOR'S MANUAL





#### Note

This Accounting Learning Facilitator's Manual contains answers to teacher-assessed assignments and the final test; therefore, it should be kept secure by the teacher. Students should not have access to these assignments or the final test until they are assigned in a supervised situation. The answers should be stored securely by the teacher at all times.

Accounting 30 Learning Facilitator's Manual Module 4 Cost Accounting Alberta Distance Learning Centre ISBN No. 0-7741-0416-3

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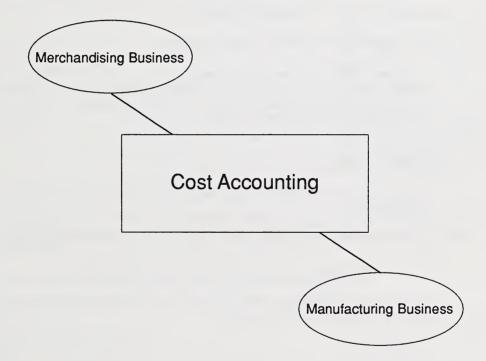
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## **Module 4 Overview**

There are basic accounting concepts needed in Cost Accounting for running a business on a departmentalized system.

In this module students will learn the accounting theory and practice for the creation of financial documents needed in making effective and responsible decisions. Procedures will be taught for the merchandising businesses (selling goods and services) and manufacturing businesses (making products) on a departmentalized nature.

The Accounting Cycle is followed, but specific terminology and procedures will be taught.



#### **Evaluation**

The student's mark in this module will be determined by the work in the Assignment Booklet. All assignments must be completed. In this module the student is expected to complete two section assignments. The suggested assignment breakdown is as follows:

Section 1 Assignment	50%
Section 2 Assignment	50%
Total	100%

Please note this is a suggestion only. Teachers may devise their own method of evaluation.

# **Possible Classroom Openers**

- Discuss what is meant by being responsible in their own lives and financially.
- Invite a guest speaker to explain what responsibility accounting is and how it relates to merchandising and manufacturing businesses.
- Show a video of a departmentalized operation, for example, a department store or auto industry, that shows how each department must be efficient in running its area and how this relates to the overall operation of the business.

# **Section 1: Merchandising Business**

The basic goals of this section are to ensure that students

- · learn what is meant by responsibility accounting
- · are able to understand how and why accounts are departmentalized
- are able to prepare financial documents for a merchandising business
- can journalize adjusting and closing entries

## **Possible Activities**

- Prepare a bulletin board display of departmentalized businesses (merchandising and manufacturing).
- Discuss and flowchart the procedures for preparing a departmentalized income statement.
- Illustrate the difference between gross profit and departmental margin.
- With the use of an overhead projector, analyse the end-of-fiscal period adjustments of a departmentalized merchandising business.

1. Tiffany Trent operates a business under the name of The Cleaning Lady. Her Cleaning Income for the month totals \$1 800.00. Her expenses include \$225.00 for Automobile Expense, \$110.00 for Cleaning Supplies Expense, and \$20.00 for Liability Insurance Expense.

Instruction: Prepare her income statement for the month ended January 31, 19xx.

Income Statem	
For Month Ended Jane	vary 31, 19xx
Revenue	
Gleaning Income	1800
Expenses	
Automobile Expense	2 2 5 00
Gleaning Supplies Expense	1 1 0 00
Liability Insurance Expense	2000
Total Expenses	3 5 5
Net Income	1 4 4 5

2. A merchandising business had Merchandise Inventory on July 1, 19xx, of \$7 509.30. The Merchandise Inventory on July 31, 19xx, was \$8 404.25. Purchases during the month were \$20 450.00.

**Instruction:** Calculate the Cost of Goods Sold for the month of July.

Cost of Goods Sold		$\prod$						$ brack {\mathbb{I}}$
Merchandise Inventory, July 1, 19xx	7 5	9	30					1
Lurchases	20 4	50	00					
Cost of Goods Available for Sale	27 9	9	30					
Merchandise Inventory, July 31, 19xx	8 4	14	25		Ш			1
Cost of Goods Sold		П		19	5	5	5 05	:

3. You are employed by The Soccer Store and are asked to prepare a statement showing the Net Income or Net Loss for the month. You obtain the following information from the general ledger:

Merchandise Inventory, March 1, \$4 340.00; Merchandise Inventory, March 31, \$1 975.00; Sales, \$23 557.00; Purchases, \$10 848.50; Salary Expense, \$2 400.00; Rent Expense, \$950.00; Advertising Expense, \$450.00; Utilities Expense, \$238.50

**Instruction:** Prepare the income statement for the month ending March 31, 19xx.

Income Statement For Month Ended March			_								
		Т		_	_	- 1			_	T	=
Revenue	····	-	Н	$\dashv$	+	-		Н	$\dashv$	+	_
Sales		#	Н	Н	4	_	23	5	5	7	00
Cost of Goods Sold		↓_	Ц	Ц	$\perp$			Ц	$\sqcup$	$\perp$	_
Merchandise Inventory, March 1, 19xx		4	3	4	0	00		Ц			
Lurchases		10	8	4	8	50					
Cost of Goods Available for Sale		15	1	8	8	50					
Merchandise Inventory, March 31, 19xx		11 -	_		$\neg$	00		П		T	
Cost of Goods Sold							13	2	1	3	5
Gross Lrofit on Sales			П		П		10			$\neg$	1
Expenses			П							T	
Salary Expense		2	4	0	0	00				T	
Rent Expense			11		-1	00			П	T	
Advertising Expense					т	00			П	T	
Utilities Expense						50		П	П	7	Γ
Total Expenses		1	Ĩ	Ĭ	Ť			0	3	ا۾	- 5
Net Income		1-	П	П	1				0	-	
Jiw Oranie		$\vdash$	H	H	+	-	-0	1	۲	井	=

1. Label each of the following expenses of a large grocery store as either direct or indirect expenses.

a.	wages of the butcher	direct
b.	salary of the store manager	indirect
c.	wages of a cashier	indirect
d.	weekly advertising flyer	indirect
e.	wages of the nightly cleaning staff	indirect
f.	bags used at the checkouts	indirect
g.	wages of a clerk at the tobacco counter	direct
h.	in-store display promoting bagels	direct
i.	property taxes on the building	indirect
j.	repainting lines in the parking lot	indirect

Calculate the departmental margin of the Shoe Department at Faye's Department Store from the information given. Use only those amounts that apply to calculation of departmental margin for the Shoe Department.

Dry Goods Revenue	\$3 400.00
Cost of Goods Sold (Dry Goods)	55%
Property Taxes on Building	1 700.00
Weekly Advertising	350.00
Shoe Revenue	2 675.00
Cost of Goods Sold (Shoes)	60%
Delivery Costs (Shoes)	225.00
Shoe Clerk Wages	550.00

```
Departmental Margin = Revenue - Cost of Goods Sold - Direct Expenses

= $2 675.00 - ($2 675.00 \times 60\%) - ($225.00 + $550.00)

= $2 675.00 - $1 605.00 - $775.00

= $295.00
```

1. Wayne Bruce would like a more-detailed breakdown of his profits; therefore, three more accounts in the chart of accounts for Wayne Meats also have to be expanded. Give the account numbers and account names for the six new accounts that must be created.

```
3901 Income Summary – Meats
3902 Income Summary – Delicatessen
4101 Sales – Meats
4102 Sales – Delicatessen
5101 Purchases – Meats
5102 Purchases – Delicatessen
```

2. Using the partial chart of accounts for La Boutique Ltd., calculate the total indirect expenses from the following information:

Payroll Taxes Expense – Women's Wear	\$ 650.00
Rent Expense	1 500.00
Sales – Children's Wear	2 250.00
Utilities Expense	835.00
Purchases – Men's Wear	1 750.00
Advertising Expense	550.00
Insurance Expense	225.00
Capital Stock	9 950.00

Indirect Expenses	\$1 500.00
	835.00
	550.00
	225.00
Total	\$3 110.00

Rose Morin is the owner/manager of Morin Electronics. Determine her profits or losses for the month by preparing a worksheet for the month ending June 30, 19xx.

Balances for June 30, 19xx, have been transferred from the general ledger to the Trial Balance columns on the worksheet. After taking physical inventory, Ms. Morin finds that her Merchandise Inventory on hand is \$22 375.00, her Supplies inventory is \$285.00, and the value of her insurance policies is \$1 240.00.

Instruction: Complete the worksheet for Morin Electronics.

Morin Electronics Worksheet

SELECT IN 1000A	ACCT.	TRIAL BALANCE	ANCE	ADJUSTMENTS	MENTS	INCOME STATEMENT	ATEMENT	BALANCE SHEET	SHEET
ACCOON	Ñ.	DEBIT	CREDIT	DEBIT	CREDIT	DEBIT	CREDIT	DEBIT	CREDIT
Gash	1101	250000						250000	
Accounts Receivable	1201	1240000						12 4 0 0 00	
Merchandise Inventory	1301	1725000		22 3 7 5 00	(a) 7 2 5 0 00			22 3 7 5 00	
Supplies Inventory	1401	73500			(c) 4 5 0 00			28500	
Prepaid Insurance	1451	127500			(d) 3 5 00			124000	
Bank of Bayniew	2001		000086						980000
Accounts Payable	2101		272500						272500
Rose Morin, Capital	3001		26 6 6 0 00						26 6 6 0 00
Rose Morin, Drawings	3002	1000001						10000001	
Income Summary	3901			7725000	22 3 7 5 00	1725000	22 3 7 5 00		
Sales	4001		35 4 5 0 00				35 4 5 0 00		
Purchases	5001	3535000				35 3 5 0 00			
Rent Expense	1009	000006				000006			
Salary Expense	6101	2000000				200000			
Advertising Expense	6201	1000000				1000000			
Supplies Expense	6301			(c) 4 5 0 00		45000			
Utilities Expense	6401	22500				2 2 5 00			
Insurance Expense	6501			(d) 3 5 00		3500			
		7463500	74 6 3 5 00	40 1 1 0 00	40 1 1 0 00	57 2 1 0 00	5782500	39 8 0 0 00	39 1 8 5 00
Net Income						6 1 5 00			6 1 5 00
						5782500	5782500	3980000	39 8 0 0 00

(This page has been intentionally left blank to accommodate the worksheet.)

Bikes

# Section 1 Activity 5

1. The worksheet for Bikes Inc. for the month ended April 30, 19xx, is given. Extend the trial balance and adjustments items to the appropriate columns.

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		ACCOUNT																				
	ACCOUNT TITLE	NUMBER	ļ	_	BI	_			RE	DIT			D	EBI	Т			CRI	EDI	T	$\perp$	
1	Cash	1101					00		$\perp$	_		<u></u>	L	L	Ц		<u> </u>	Ш	Ц	$\perp$	#	1_
2	Accounts Receivable	1201		8	7	5	00						L	L	Ц			Ш	Ц		$\sqcup$	2
3	Allowance for Doubtful Accounts	1201.1			$\perp$	$\perp$			1	7 5	00		L	L	Ц			Ц	Ц	$\perp$		3
4	Merchandise Inventory - New Bikes	1301	20	8	4	0	00		Ц	$\perp$		(4)	8	2	5	00	20	8	4	00	00	4
5	Merchandise Inventory - Used Bikes	1401	11	4	3	5	00		Ц	$\perp$		91	9	3	0	00	91	4	3	5 (	00	5_
6	Grepaid Insurance	1501		6	0	0	00		Ц	$\perp$				L	Ш		(e)	$\Box$			00	
7	Supplies	1511		7	4	2	00								Ш		(f)	5	8	70	00	7_
8	Office Equipment	1701	3	0	7	5	00						I							I		8
9	Accumulated Depreciation - Office Equipment	1701.1						2	1	1 2	00		Ι	Γ	П		(g)		9	6	00	9
10	Store Equipment - New Bikes	1731	6	4	4	4	00			Τ			Ι	Γ					П	T		10
11	Accum. Deprec Store Equip New Bikes	1731.1			П			2	6	5 7	00		Τ	Г	П		(h)	3	8	0	00	11
12	Store Equipment - Used Bikes	1741	4	2	8	9	00		П	T	Π		T	Π	П			Г	П	T		12
13	Accum. Deprec Store Equip Used Bikes	1741.1						1	5	3 6	00		Τ	Γ	П		(i)	2	7	5	00	13
14	Employees Income Fax Layable	2001									00		Τ	Γ	П			Г	П	T		14
15	Canada Lension Llan Layable	2002							1	96	00		Τ	Τ	П			Г	П	T		15
16	Unemployment Insurance Layable	2003									00		Τ	Γ	П				П	T		16
17	Corporate Income Tax Layable	2004							П	T	П		Τ	Γ	П			Γ	П	П		17
18	Bank Loan Layable	2101						10	0	00	00		T	Τ	П			Γ	П	T		18
19	Accounts Layable	2201			П						00		Τ	T	П				П	T	$\sqcap$	19
20	Gapital Stock - Common	3001									00		T	Т	П			T	П	T		20
21	Retained Earnings	3011									00		T	T				Τ	П	T		21
22	Income Summary - New Bikes	3991			П	П			П	$\top$	T	(2)	0 8	4	0	00	(b) <sub>5</sub>	8	2	5	00	22
23	Income Summary - Used Bikes	3992			П				П	T		(4)	1 4	1 3	5	00	91	9	3	0	00	23
24		3999			П	П			П	$\top$			T	T	П			T	П	Т	_	24
25	Sales - New Bikes	4101		Г	П			38	8	5 (	00		T	T					П	П	$\exists$	25
26	Sales Returns and Allowances - New Bikes	4101.1		4	7	5	00		П				T	T	П			T	П	П		26
27	Sales - Used Bikes	4201			П			27	2	0 :	00		T	T	Г			T	П	П	目	27
28	Sales Returns and Allowances - Used Bikes	4201.1		1	5	0	00		П			Г	T	T			Г	T	П	T		28
29	Lurchases - New Bikes	5101	24				00		П	T			T	T				T	П			29
30	Lurchases - Used Bikes	5201					00		П	T	Т		T	T	П			Τ	П			30
31	Advertising Expense - New Bikes	6101					00		П	T			T	T					П			31
32	Deprec. Expense - Store Equip New Bikes				П				П			(h)	3	8	0	00		T	П	$\sqcap$		32
33	Miscellaneous Expense - New Bikes	6121		1	1	2	00		П				T	T				T	П			33
34	Layroll Faxes Expense - New Bikes	6131					00		П	1			T	T				T	П	П		34
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Worksheet

For Month Ended

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		ACCOUNT									_				_							1
	ACCOUNT TITLE	NUMBER		DE	BI	Т			CR	ED	T			DE	Ві	Т			CR	ΕD	IT	
36	Supplies Expense - New Bikes	6151							П		7		<b>(f)</b>	1	1	5	00		Π	П	T	36
37	Advertising Expense - Used Bikes	6201		8	2	5	00			П												37
38	Deprec. Expense - Store Equip Used Bikes	6211							П				(i)	2	7	5	00		Ι			38
39	Miscellaneous Expense - Used Bikes	6221		3	3	1	00															39
40	Layroll Faxes Expense - Used Bikes	6231		1	7	1	00															40
41	Salary Expense - Used Bikes	6241	2	4	0	0	00															41
42	Supplies Expense - Used Bikes	6251											<b>(f)</b>	3	8	9	00		L			42
43	Bad Debts Expense	6501			2	5	00							L						Ш		43
44	Depreciation Expense - Office Equipment	6511							Ш				(g)		9	6	00		L	Ш		44
45	Insurance Expense	6521							Ш	Ш			(e)	L	7	5	00		$\perp$	Ц		45
46	Interest Expense	6531		1	1	7	00							L						Ш		46
47	Miscellaneous Expense	6541		1	5	2	00							L					L			47
48	Layroll Faxes Expense - Administrative	6551		1	5	8	00												L			48
49	Rent Expense	6561		9	5	0	00												I			49
50	Salary Expense - Administrative	6571	1	8	0	0	00															50
51	Supplies Expense - Administrative	6581											(f)	Ι	8	3	00					51
52	Utilities Expense	6591		3	2	5	00			П				Τ								52
53			102						4	3	4	00		Τ		Г			Т			53
54	Departmental Margin - New Bikes					Ī			Г					Ι						Π		54
55	Departmental Margin - Used Bikes			Γ					П					T								55
56				Γ										Γ								56
57	Corporate Income Faxo	9101		Γ	П														Ι			57
58														Ι								58
59	Net Income After Corporate Income Taxo													I								59
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63	Ц		1		L		Ц				1	_	1	1	4	1	_	L		L		L		1		4	1	1	4			1	$\perp$	1	L	1	 Ц	Ц	$\perp$	_		4		$\coprod$		63
64	 Ц		4		L				4		1		1	1	1	1		L					L	1		4	4	1			L	1	4	$\perp$		1	 Ц	Ц				$\perp$	$\perp$	Ш		64
65	 Ц	_	4		L		Ц				1		1	1	1	1						_	L	4		1	4	1	1			4	4	1		1	Ц	Ц			L	4	L	11		65
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2. Turn to the worksheet for Bikes Inc. that you worked on in Question 1. Calculate the departmental margin for each of the two departments. Extend the appropriate figures to the Income Statement columns.

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5	Merchandise Inventory - Used Bikes	1401	11	_	_	_			4	1	1	91	9	3	0	00	(d) 11	4				
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9	Accumulated Depreciation - Office Equipment	1701.1		Ц	4	1		2	1	1 2	00	_	L	$\perp$	L		(g)	Ц	9	6	00	9
10	Store Equipment - New Bikes	1731	6	4	4	4 (	20		$\perp$	1		<u> </u>	Ļ	$\perp$	L			Ц	Ц	$\perp$	#	10
11	Accum. Deprec Store Equip New Bikes	1731.1			1	1	4	2	6	5 7	00	<u> </u>	1	$\perp$			(h)	3	8	0	00	11
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20	Capital Stock - Common	3001			$\perp$	1	_				00		┸	L	L				Ц	Ц		20
21	Retained Earnings	3011			$\perp$	$\perp$		4	3	7 4	00		┸	L	L			L	Ц			21
22	Income Summary - New Bikes	3991			$\perp$	$\perp$						(2)	) 8	3 4	0	00	(b) <sub>5</sub>	8	2	5	00	22
23	Income Summary - Used Bikes	3992			$\perp$	$\perp$	$\perp$			$\perp$		(4)	4	1 3	5	00	(°)	9	3	0	00	23
24	Income Summary - General	3999				1				$\perp$			L		L			L	Ц	Ц		24
25	Sales - New Bikes	4101			$\perp$	1		38	8	5 0	00		1	┸	L			L	Ц	Ц		25
26	Sales Returns and Allowances - New Bikes	4101.1		4	7	5 (	00		Ц	1				L	L			L	Ц	Ц		26
27	Sales - Used Bikes	4201			$\perp$	$\perp$		27	2	0 !	00		1	$\perp$	L			$\perp$	Ц	Ц		27
28	Sales Returns and Allowances - Used Bikes	4201.1			5				Ц	1	┖	_	1	1	L	L		$\perp$	Ц	Ц		28
29	Lurchases - New Bikes	5101	24						Ц	$\perp$	$\perp$		1	╀			<u> </u>	$\perp$	Ц	Ц		29
30	Lurchases - Used Bikes	5201	15	6	5	0	00		Ц	1	_		1	$\perp$	L			L	Ц	Ц		30
31	Advertising Expense - New Bikes	6101	1	2	0	0	00						1	┸				L	Ц	Ц		31
32	Deprec. Expense - Store Equip New Bikes	6111			$\perp$	1				1		(h)	3	8	0	00		1	Ц	Ц		32
33	Miscellaneous Expense - New Bikes	6121			1				Ц				1	1	L			1	Ш			33
34	Layroll Faxes Expense - New Bikes	6131			6				Ц	1			1	1	1			L	Ц	Ц	$\rightarrow$	34
35	Salary Expense - New Bikes	6141	2	0	0	0	00						$\perp$		L	L		L	Ш			35

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Bikes Worksheet For Month Ended

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36	Supplies Expense - New Bikes	6151							Γ				(I)	1	1	5	00		T	$\Pi$	36
37	Advertising Expense - Used Bikes	6201		8	2	5	00		T					Г					Т	П	37
38	Deprec. Expense - Store Equip Used Bikes	6211			٦								(i)	2	7	5	00			П	38
39	Miscellaneous Expense - Used Bikes	6221		3	3	1	00		Τ					Π					T	П	39
40	Layroll Faxes Expense - Used Bikes	6231		1	7	1	00							Γ					T	П	40
41	Salary Expense - Used Bikes	6241	2	4	0	0	00		Γ					Π						П	41
42	Supplies Expense - Used Bikes	6251							Π				(f)	3	8	9	00				42
43	Bad Debts Expense	6501		П	2	5	00		Г	П				Ι					Т	П	43
44	Depreciation Expense - Office Equipment	6511							I				(g)		9	6	00		I		44
45	Insurance Expense	6521		П					Γ	П			(e)	Τ			00		T	П	45
46	Interest Expense	6531		1	1	7	00		Γ	П				Τ	Γ				T	П	46
47	Miscellaneous Expense	6541		1	5	2	00		Т		П			T	Γ	Г			T	П	47
48	Payroll Faxes Expense - Administrative	6551					00		Τ	П	П			Τ	Γ	Г			T	П	48
49	Rent Expense	6561					00		Т					Τ		Г				T	49
50	Salary Expense - Administrative	6571	1				00		Τ	Г				T	Γ	Γ			T	T	50
51	Supplies Expense - Administrative	6581			П	П			T				(f)	T	8	3	00		T	$\prod$	51
52	Utilities Expense	6591		3	2	5	00		T					T	Γ				1	П	52
53			102					102	4	3	4	00		T		Г			T		53
54	Departmental Margin - New Bikes			F	Ħ	Ē			Ŧ	F				T	Γ	Γ			T		54
55	Departmental Margin - Used Bikes								Τ	Г				Т		Γ				TT	55
56						П			Τ	Г				T	Γ	Γ			T	П	56
57	Corporate Income Taxo	9101		Γ	П	П			Τ	Γ				T	Г	Γ			T	П	57
58						П			T	T				T	T	Γ			T	П	58
59	Net Income Mer Corporate Income Fax								Τ	Γ				T	Γ	Γ			T		59
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59	+	+	$\perp$	_		Н	Ц	+		_	L	L	Н	_	_		Н	4		_	╀	Н	Ц	_	_	4	4	4	L	₩.	4	_	$\perp$			$\Box$	+	1_	59
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3. Turn to the worksheet for Bikes Inc. that you worked on in Questions 1 and 2. Complete the worksheet. The Corporate Income Tax Payable for the business is \$3 017.00.

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2	Accounts Receivable	1201		8	7	5	00	-	Н	+	+	4	_	Н	Н	Н	_	_	╀	Н	Н	$\vdash$	2
3	Allowance for Doubtful Accounts	1201.1		L	Н	4	_	_	1	7	5 0	0		Н	Н	Н		(a)	╀	Н	Ш	Н	3
4	Merchandise Inventory - New Bikes	1301	20					<u> </u>	Н	+	+	4	(2)	8	2	5	00	(a) (d)	8	4	0	00	4
5	Merchandise Inventory - Used Bikes	1401					00		Ц	+	+	4	11	9	3	0	00	(d) I1 (e)	4				
6	Prepaid Insurance	1501					00		Н	+	+	4		Н	Ц	Н	_	(f)	╀			00	
7	Supplies	1511					00		Н	4	+	4		Н	Ц	Ц		(.)	5	8	7	00	_
8	Office Equipment	1701	3	0	7	5	00		Ц	$\dashv$	+	_		Ц	Ц	Ц		(2)	Ļ	Ш	Ш		8
9	Accumulated Depreciation - Office Equipment	1701.1			Ц	Ц		2	1	1	2 (	0		Ц	Ц			(g)	L	9	6	00	9
10	Store Equipment - New Bikes	1731	6	4	4	4	00	L		Ц	4			Ц	Ц			4	L	Ц			10
11	Accum. Deprec Store Equip New Bikes	1731.1		L	Ц	Ц			6	5	7 0	0		Ц	Ш			(h)	3	8	0	00	11
12	Store Equipment - Used Bikes	1741	4	2	8	9	00			Ц	$\perp$			Ц					L				12
13	Accum. Deprec Store Equip Used Bikes	1741.1		Ц	Ц	Ц		_1		3				Ц	Ц			(i)	2	7	5	00	13
14	Employees Income Tax Layable	2001		L	Ц	Ц			8	7				L					L	L			14
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16	Unemployment Insurance Layable	2003		L	Ц				2	4	8 (	00		L	Ц				L	L			16
17	Corporate Income Fax Layable	2004		L					L									3	0	1	7	00	17
18	Bank Loan Layable	2101			Ц			10	0	0	0 0	0							L				18
19	Accounts Layable	2201						2	2	0	5 0	0											19
20	Capital Stock - Common	3001						12	0	0	o c	00											20
21	Retained Earnings	3011						4	3	7	5 0	0											21
22	Income Summary - New Bikes	3991									Ι							(b) 15					
23	Income Summary - Used Bikes	3992											(d) 11	4	3	5	00	(c) 11	9	3	0	00	23
24	Income Summary - General	3999									T								Γ	Г			24
25	Sales - New Bikes	4101		Г	П			38	8	5	o c	00							Γ	Г	П		25
26	Sales Returns and Allowances - New Bikes	4101.1		4	7	5	00		Γ	П	T								Γ	Γ	Γ		26
27	Sales - Used Bikes	4201						27	2	0	5 (	0							Γ	Γ			27
28	Sales Returns and Allowances - Used Bikes	4201.1		1	5	0	00			П	Τ								Γ	Г			28
29	Lurchases - New Bikes	5101	24	5	0	0	00				Τ								Γ	Г	Г		29
30	Lurchases - Used Bikes	5201					00			П	T	٦							Γ	Γ			30
31	Advertising Expense - New Bikes	6101			0																		31
32	Deprec. Expense - Store Equip New Bikes	6111										1	(h)	3	8	0	00		Γ				32
33	Miscellaneous Expense - New Bikes	6121		1	1	2	00				1								Γ	Γ			33
34	Layroll Taxes Expense - New Bikes	6131		_	6		_	_			T								Γ	Γ			34
35	Salary Expense - New Bikes	6141	2		0					П	T								Γ	Γ			35

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Sikes

Worksheet

For Month Ended

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		ACCOUNT																					
	ACCOUNT TITLE	NUMBER		DE	ВІ	Т			CRI	ED	Т			DI	EBI	Т			CR	ED	IT		
36	Supplies Expense - New Bikes	6151							$\prod$				(f)	1	1	5	00		Γ				36
37	Advertising Expense - Used Bikes	6201		8	2	5	00		П		$\Box$			Γ					Ι	П	П		37
38	Deprec. Expense - Store Equip Used Bikes	6211											(i)	2	7	5	00						38
39	Miscellaneous Expense - Used Bikes	6221		3	3	1	00												L				39
40	Layroll Faxes Expense - Used Bikes	6231		1	7	1	00														$\prod$		40
41	Salary Expense - Used Bikes	6241	2	4	0	0	00																41
42	Supplies Expense - Used Bikes	6251											(ŋ	3	8	9	00		I		$\Box$		42
43	Bad Debts Expense	6501			2	5	00							Γ					I	П			43
44	Depreciation Expense - Office Equipment	6511											(g)	Ι	9	6	00		Γ	П	П		44
45	Insurance Expense	6521											(e)	T	7	5	00		I	П	П		45
46	Interest Expense	6531		1	1	7	00							Γ						П	П		46
47	Miscellaneous Expense	6541		1	5	2	00		П					Τ					Τ				47
48	Layroll Faxes Expense - Administrative	6551		1	5	8	00												T	П			48
49	Rent Expense	6561		9	5	0	00												I		$\prod$		49
50	Salary Expense - Administrative	6571	1	8	0	0	00													П			50
51	Supplies Expense - Administrative	6581											(f)		8	3	00			П	$\Box$		51
52	Utilities Expense	6591		3	2	5	00							Γ	L								52
53			102	4	3	4	00	102	4	3	4	00		I	Γ								53
54	Departmental Margin - New Bikes								П					Γ	Г				Τ	Г	П		54
55	Departmental Margin - Used Bikes													Ι									55
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59	Net Income Mer Corporate Income Taxo													T	T				T		П		59
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 Inc.

 (continued)

 April 30, 19xx

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1. Complete the Percentage of Net Sales column for Big Band Sounds.

Big Band Sounds	
Departmental Margin Statement - Record Department	
For Month Ended November 30, 19xx	

% of Net Sales\*

Revenue	-	$\sqcup$	+			Ц	Ц	4	_		Ш	Ш	4		
Sales	-	Ш	$\perp$		30	2	6	9	00		L	Ц	_		101.08
Less: Sales Returns and Allowances	#	Ш	$\perp$			3	2	5	00			Ц	_	$\parallel$	1.09
Net Sales		Ш	$\perp$			Ц		$\downarrow$		29	9	4	4	00	100.00
Cost of Goods Sold	┦	Ц	$\perp$			Ц	Ц	$\perp$				Ц			
Merchandise Inventory, Nov. 1, 19xx	1	Ц	_		8	4	5	0	00		L	Ц			28.22
Lurchases	15	8	7 5	00		Ц	Ц	$\perp$				Ц			53.01
Less: Lurchases Returns and Allowances	_	1	0 5	00		Ц	Ц	$\perp$			L	Ц			0.35
Net Lurchases	_	Ш	$\perp$		15	7	7	0	00			Ц			52.66
Total Cost of Goods Available for Sale	$\bot$	Ш	$\perp$		24	2	2	0	00			Ц			80.88
Less: Merchandise Inventory, Nov. 30, 19xx		Ц	$\perp$		10	7	4	5	00		L	Ц			35.88
Cost of Goods Sold		Ш	$\perp$			Ц	Ц	$\perp$		13	4	z	5	00	45.00
Gross Profit		Ц	$\perp$			Ц	Ц	$\perp$		16	4	6	9	00	55.00
Direct Departmental Expenses	1	Ш	$\perp$			Ц	Ц	$\perp$			L	Ц			
Advertising Expense		Ц	$\perp$			6	8	3	00		L	Ц			2.28
Depreciation Expense - Store Equipment	$\bot$	Ш	$\perp$			1	2	0	00		L	Ц			0.40
Miscellaneous Expense	_	Ш	┸			1	3	6	00		L	Ц			0.45
Layroll Faxes Expense		Ц	$\perp$			5	0	8	00		L	Ц			1.70
Promotions Expense		Ш	$\perp$		1	z	9	5	00		L	Ц			6.00
Salary Expense	1_	Ш			6	5	0	0	00		L	Ц			21.71
Supplies Expense		Ш	$\perp$			2	9	2	00		L	Ц			0.98
Total Direct Departmental Expenses		Ш								10	0	3	4	00	33.51
Departmental Margin						П	П			6	4	3	5	00	21.49

<sup>\*</sup> each item rounded to the nearest 0.01%

2. Turn to the worksheet that you prepared for Bikes Inc. in Activity 5. Use this information to prepare the departmental margin statement for the Used Bikes Department. Calculate the Percentage of Net Sales column.

Bikes Inc.	
Departmental Margin Statement - Used Bikes	
For Month Ended April 30, 19xx	
	% of

Net Sales\* Revenue Sales 100.55 Less: Sales Returns and Allowances 0.55 Net Sales 27 0 5 5 00 100.00 Gost of Goods Sold Merchandise Inventory, April 1, 19xx 42.26 15 6 5 0 00 Lurchases 57.84 Total Cost of Goods Available for Sale 100.11 Less: Merchandise Inventory, April 30, 19xx 44.09 Cost of Goods Sold 56.01 11 9 0 0 00 Gross Profit 43.98 Direct Departmental Expenses Advertising Expense 5 00 3.05 Depreciation Expense - Store Equipment 5 00 1.02 Miscellaneous Expense 00 1.22 Layroll Faxes Expense 7 1 00 0.63 Salary Expense 8.87 8 9 00 Supplies Expense 1.44 Total Direct Departmental Expenses 4 3 9 1 00 16.23 Departmental Margin 7 5 0 9 00 27.75

<sup>\*</sup> each item rounded to the nearest 0.01%

Complete the income statement for Petrina's Pet Emporium for the month ended September 30, 19xx.

Letrina's Let Emporium	
Income Statement	
For Month Ended September 30, 19xx	
	% of

Net Sales	
Net Sales Live Animals Department	36 4 8 9 00 50.58
Equipment Department	35 6 4 4 00 49.4
Total Net Sales	72 1 3 3 00 100.00
Cost of Goods Sold	
Live Animals Department	15 8 5 0 00 21.9
Equipment Department	17 2 3 6 00 23.8
Total Cost of Goods Sold	33 0 8 6 00 45.8
Gross Profit	
Live Animals Department	20 6 3 9 00 28.6
Equipment Department	18 4 0 8 00 25.5
Total Gross Profit	39 0 4 7 00 54.1
Direct Departmental Expenses	
Live Animals Department	8 2 6 0 00 11.4
Equipment Department	6 1 2 9 00 8.5
Total Direct Departmental Expenses	14 3 8 9 00 19.9
Departmental Margin	
Live Animals Department	12 3 7 9 00 17.1
Equipment Department	12 2 7 9 00 17.0
Total Departmental Margin	24 6 5 8 00 34.1
Indirect Expenses	
Depreciation Expense - Office Equipment	1 6 5 00 0.2
Insurance Expense - Administrative	2 3 5 00 0.3
Miscellaneous Expense	3 2 6 00 0.4
Payroll Taxes Expense - Administrative	6 2 8 00 0.8
Rent Expense	250000 3.4
Salary Expense - Administrative	7 0 0 0 00 9.7
Supplies Expense - Administrative	5 0 4 00 0.7
Utilities Expense	4 7 6 00 0.6
Fotal Indirect Expenses	11 8 3 4 00 16.4
Net Income Stefore Corporate Income Taxo	12 8 2 4 00 17.7
Less: Corporate Income Tax	4 4 8 8 00 6.2
Net Income After Corporate Income Taxo	8 3 3 6 00 11.5

<sup>\*</sup> each item rounded to the nearest 0.01%

1. Journalize the adjusting entries for The Bar-B-Q Pit on page 32 of a general journal as of October 31,19xx. You will find the necessary data on the completed worksheet in Activity 5.

## **GENERAL JOURNAL**

PAGE 32

	DATE		ACCOUNT TITLE	POST. REF.		DEB	IT:	s		C	RE	DIT	S	F
1			Adjusting Entries			Ī	T	Ť	1			T	Ť	1
2	Oct. 19xx	31	Merchandise Inventory - Equipment		4	6 2	2	ol a	00		T	1		2
3			Income Summary - Equipment				Ι	Ι		4	6	2	00	3
4		31	Income Summary - Equipment		20	4 8	3 (	o o	00					4
_5			Merchandise Inventory - Equipment				1			20	4	8	00	5
6		31	Merchandise Inventory - Accessories			4	2	0 0	00		Ц	_	1_	6
_7			Income Summary - Accessories				1	1			4	2	00	7
8		31	Income Summary - Accessories		3	2 8	9	<u>z  :</u>	50		Ц	4	4_	8
9			Merchandise Inventory - Accessories			4	1	4	$\parallel$	3	2	8	7 50	
10		31	Supplies Expense - Equipment		_	2					Ц	4	1_	10
11			Supplies Expense - Accessories			1					Ц	4	╄	11
12			Supplies Expense - General			4	4	5 0	00		Ц	4	$\bot$	12
13			Supplies			$\perp$	4	+	$\parallel$		4	3	00	11
14		31	Insurance Expense - Equipment					5 0	П		Ц	4	1_	14
15			Insurance Expense - Accessories				т	5 0			Н	4	1	15
16			Insurance Expense - General				3 (	0	00		Ц	4	╀-	16
17			Prepaid Insurance			4	4	4	-#		1	3	00	11
18		31	Depreciation Expense - Delivery Equipment - Equipment			2 .	4	9 :	50		Н	4	4	18
19			Accumulated Depreciation - Delivery Equipment			4	+	+	-#		2	4	9 50	_
20		31	Depreciation Expense - Office Equipment - General			4	4	4	50		Н	+	+-	20
21			Accumulated Depreciation - Office Equipment			$\perp$	+	+	-#		Н	4	4 50	
22		31	Depreciation Expense - Store Equipment - Equipment	-	_		_	1	$-\pi$		Н	+	-	22
23			Depreciation Expense - Store Equipment - Accessories			4	5	1	50		Н	+	+-	23
24			Accumulated Depreciation - Store Equipment			+	+	+	-		1	이.	3 00	ш—
25		31	Corporate Income Taxo			3 (	4	7	85		H	+	-	25
26			Corporate Income Tax Layable			+	+	+	-		3	0	7 85	
27						$\Box$	$\perp$				Ш			27

Note: A quick way of assuring that you have not missed recording an adjustment in the journal is to count the number of adjustment amounts on the worksheet. These should equal the number of lines of entries in the journal. For example, on the worksheet for The Bar-B-Q Pit there are twenty-five different amounts in the Adjustments columns. Do you have twenty-five lines of journal entries?

2. Record the closing entries for the Accessories Department of The Bar-B-Q Pit on page 33 of the general journal as of October 31, 19xx.

Note: This department has suffered a loss. The amount of the loss should be debited to Income Summary – General.

## **GENERAL JOURNAL**

PAGE 33

	DATE		ACCOUNT TITLE	POST. REF.		DE	вп	гs			CR	ED	TS		
1			Glosing Entries								Γ				1
2	Oct. 19xx	31	Sales - Accessories		5	3	9	6	00		Ι				2
3			Lurchases Returns and Allowances - Accessories				2	3	20		L				3
4			Income Summary - Accessories							5	4	1	9	20	4
5		31	Income Summary - Accessories		4	6	0	2	95						5
6			Sales Returns and Allowances - Accessories								1	7	6	50	6
7			Lurchases - Accessories							1	5	7	3	20	7
8			Advertising Expense - Accessories								4	3	0	00	8
9			Deprec, Expense - Store Equipment - Accessories			L		L			L	5	1	50	9
10			Insurance Expense - Accessories			L						1	5	00	10
11			Layroll Faxes Expense - Accessories					L			2	0	6	75	11
12			Salary Expense - Accessories							2	0	0	0	00	12
13			Supplies Expense - Accessories								1	5	0	00	13
14		31	Income Summary - General		2	0	5	1	25						14
15			Income Summary - Accessories							2	0	5	1	25	15
16															16

## Section 1 Follow-up Activities

#### **Extra-help Activities**

Extra-help Activity A

Upon taking physical inventory on November 30, Mr. Hycks, the owner of The Bedroom Shoppe, calculated the following:

Merchandise Inventory, \$26 245.00 Supplies, \$669.00 Prepaid Insurance Policies, \$600.00 The Store Fixtures have depreciated by \$192.00.

**Instruction:** Prepare an eight-column worksheet for The Bedroom Shoppe on the form provided. The fiscal period to be covered is the month ended November 30, 19xx.

**Step 1:** Write the heading for the worksheet in the top section.

Step 2: Copy all the account titles and balances, if any, from the general ledger to the Account Title and Trial Balance columns of the worksheet. These are the accounts and their balances:

Account Title	Debit	Credit
Cash	\$ 1639.00	
Merchandise Inventory	15 230.00	
Supplies	826.00	
Prepaid Insurance	650.00	
Store Fixtures	12 360.00	
Accumulated Depreciation - Store Fixtures		\$ 824.00
Accounts Payable		3 835.00
R. Hycks, Capital		33 824.00
R. Hycks, Drawings	1 500.00	
Income Summary		
Sales		20 750.00
Purchases	23 928.00	
Advertising Expense	950.00	
Depreciation Expense – Store Fixtures	0	
Insurance Expense	0	
Rent Expense	900.00	
Salaries Expense	1 250.00	
Supplies Expense	0	

**Step 3:** Total and rule the Trial Balance columns. Never proceed until the Trial Balance columns are in balance.

- Step 4: Make the adjustment for the actual Merchandise Inventory.
  - On the Income Summary line, Adjustments section, Debit column, enter the November 1 inventory, **15 230.00**. On the Merchandise Inventory line, Adjustments section, Credit column, enter the November 1 inventory again, **15 230.00**.
  - On the Merchandise Inventory line, Balance Sheet section, Debit column, enter the November 30 inventory balance, **26 245.00**.
  - On the Merchandise Inventory line, Adjustments section, Debit column, enter the November 30 inventory, **26 245.00**. On the Income Summary line, Adjustments section, Credit column, enter the November 30 inventory again, **26 245.00**.
- Step 5: Make the adjustment for the actual Supplies inventory.
  - On the Supplies line, Balance Sheet section, Debit column, enter the November 30 Supplies balance, 669.00.
  - Calculate the value of the supplies that have been used during the month: 826.00 669.00 = 157.00.
  - On the Supplies Expense line, Adjustments section, Debit column, enter the actual value of supplies used, 157.00. On the Supplies line, Adjustments section, Credit column, enter this amount again, 157.00.
- Step 6: Make the adjustment for the value of the insurance policies that have expired.
  - On the Prepaid Insurance line, Balance Sheet section, Debit column, enter the November 30 value of Prepaid Insurance, 600.00.
  - Calculate the value of the insurance policies that have expired: 650.00 600.00 = 50.00.
  - On the Insurance Expense line, Adjustments section, Debit column, enter the value of the expired insurance policies, 50.00. On the Prepaid Insurance line, Adjustments section, Credit column, enter the amount again, 50.00.
- Step 7: Make the adjustment for the depreciation of the Store Fixtures. On the Depreciation Expense Store Fixtures line of the Adjustments section, Debit column, enter the depreciation of the store fixtures, 192.00. On the Accumulated Depreciation Store Fixtures line of the Adjustments section, Credit column, enter the depreciation again, 192.00.
- Step 8: Total and rule the Adjustments columns. Never proceed until these columns are in balance.
- Step 9: Extend the balance sheet items from the Trial Balance and Adjustments columns to the Balance Sheet columns. If there is more than one amount on the same line in these columns, calculate and enter only the net balance. (This includes all the accounts from Cash down to, and including, the Drawings account.)

- Step 10: Extend the income statement items (the remaining account balances) from the Trial Balance and the Adjustments columns to the Income Statement columns. Extend both amounts on the Income Summary line to the respective columns.
- Step 11: Single rule and total the Income Statement and the Balance Sheet columns.
- Step 12: Calculate the Net Income or Net Loss. Subtract the smaller total from the larger total in the Income Statement columns. Enter this amount on the next line (below the smaller total).

If this amount is in the Debit column, enter it again in the Credit column of the Balance Sheet section. It is a Net Income.

If this amount is in the Credit column, enter it again in the Debit column of the Balance Sheet section. It is a Net Loss.

Step 13: Total and rule the Income Statement and Balance Sheet sections respectively.

The Bedroom Shoppe

Worksheet

For Month Ended November 30, 19xx

SEIZH INI COOV	ACCT.	TRIAL BALANCE	ALANCE	ADJUSTMENTS	MENTS	INCOME STATEMENT	ATEMENT	BALANCE SHEET	SHEET
	NO.	DEBIT	CREDIT	DEBIT	CREDIT	DEBIT	CREDIT	DEBIT	CREDIT
Gash		163900						163900	
Merchandise Inventory		1523000		2624500	(a) 5 2 3 0 00			26 2 4 5 00	
Supplies		82600			(c) 1 5 7 00			00 6 9 9	
Prepaid Insurance		65000			00 0 S (p)			00009	
Store Fixtures	-	1236000						12 3 6 0 00	
Accum. Deprec Store Fixtures.			82400		(e) 1 9 2 00				101600
Accounts Layable			383500						383500
R. Hycks, Capital			33 8 2 4 00						33 8 2 4 00
R. Fucks, Drawings		1500000						150000	
Income Summary				(a) 1523000	26 2 4 5 00	1523000	26 2 4 5 00		
Sales			20 75000				20 7 5 0 00		
Gurchases		23 9 2 8 00				23 9 2 8 00			
Advertising Expense		95000				95000			
Depreciation Ext Store Fixtures				(e) 1 9 2 00		1 9 2 00			
Insurance Expense				(d)   5 0 00		5 0 00			
Rent Expense		00000				000006			
Salaries Expense		125000				125000			
Supplies Expense				(c) 1 5 7 00		15700			
		59 2 3 3 00	59 2 3 3 00	4187400	4187400	42 6 5 7 00	46 9 9 5 00	43 0 1 3 00	38 6 7 5 00
Net Income						4 3 3 8 00			433800
						46 9 9 5 00	4699500	43 0 1 3 00	43 0 1 3 00

# Extra-help Activity B

Prepare an income statement for The Bedroom Shoppe for the month ended November 30, 19xx. Use your solution from Extra-help Activity A. If you prefer, turn to the Appendix, Section 1: Follow-up Activities, Extra-help A, and use the answer key.

Income Statement		
For Month Ended November	30, 19xx	
Revenue		
Sales		20 7 5 0 00
Gost of Goods Sold		
Merchandise Inventory, November 1, 19xx	15 2 3 0 0	
Lurchases	23 9 2 8 0	2
Cost of Goods Available for Sale	39 1 5 8 0	
Merchandise Inventory, November 30, 19xx	26 2 4 5 0	0
Cost of Goods Sold		12 9 1 3 00
Gross Profit		783700
Expenses		
Advertising Expense	9500	
Depreciation Expense - Store Fixtures	1920	
Insurance Expense	500	0
Rent Expense	9000	
Salaries Expense	12500	
Supplies Expense	1 5 7 0	2
Total Expenses		3 4 9 9 00
Net Income		4 3 3 8 00

## Extra-help Activity C

Instruction 1: Journalize the adjusting entries for The Bedroom Shoppe on page 15 of the general journal. Use the data in the completed Adjustments columns of the worksheet in Extrahelp Activity A.

Instruction 2: Journalize the closing entries for The Bedroom Shoppe on the same page of the general journal. Use the data in the completed Income Statement and Balance Sheet columns of the worksheet in Extra-help Activity A.

#### **GENERAL JOURNAL**

PAGE 15

T	DATE		ACCOUNT TITLE	POST. REF.		DEI	317	s		С	RE	DIT	=== S	F
1			Adjusting Entries									T	T	1
2	Nov.	30	Merchandise Inventory		26	2	4	5	00					2
3			Income Summary							26	2	4	5 00	3
4		30	Income Summary		15	2	3	0	00					4
5			Merchandise Inventory	-						15	2	3 1	00	5
6		30	Supplies Expense			1	5	7	00			$\prod$		6
7			Supplies								1	5	7 00	7
8		30	Insurance Expense				5	0	00					8
9			Grepaid Insurance									5	00	9
10		30	Depreciation Expense - Store Fixtures			1	9	2	00					10
11			Accumulated Depreciation - Store Fixtures			Ц					1	9	2 00	11
12			Glosing Entries											12
13		30	Sales		20	7	5	0	00			$\perp$		13
14			Income Summary							20	z	5	00	14
15		30	Income Summary		27	4	2	7	00			$\perp$		15
16			Lurchases			Ц				23	9	2	8 00	16
17			Advertising Expense										00	
18			Depreciation Expense - Store Fixtures										2 00	
19			Insurance Expense									5	00	19
20			Rent Expense			Ц					9	0	00	20
21			Salaries Expense			Ц				1	2	5	00	21
22			Supplies Expense			Ц					1	5	7 00	22
23		30	Income Summary		4	3	3	8	00			Ц	1	23
24			R. Kycks, Capital			Ц	Ц			4	3	3	8 00	24
25		30	R. Kycks, Capital		1	5	0	0	00			Ц	上	25
26			R. Kycks, Drawings			Ц				_1	5	0	00	26
27			-			L								27
28														28
29														29
30														30

# Extra-help Activity D

Prepare a departmental margin statement for the New Bikes Department of Bikes Inc. for the month ended April 30, 19xx. Calculate the percentage of net sales for each amount.

To obtain the necessary data, turn to the worksheet for Bikes Inc. in the Appendix, Section 1: Activity 5.

Departmental Margin Stat	<u>ement - New</u>	<u> </u>	Bik	es							
For Month Ended )	<i>April</i> 30, 19xx	<u>c</u>									
											% of Net Sales
Revenue		L									
Sales	38	8	5	0	00		L	Ц			101.24
Less: Sales Returns and Allowances		4	7	5	00		L	Ц			1.24
Net Sales		L	Ц			38	3	7	5	00	100.00
Cost of Goods Sold		L	Ц				L	Ц			
Merchandise Inventory, April 1, 19xx	20	8	4	0	00		L	Ц			54.30
Lurchases	24	5	0	0	00		L	Ц			63.84
Total Cost of Goods Available for Sale	45	3	4	0	00		L	Ц			118.15
Less: Merchandise Inventory, April 30, 19xx	15	8	2	5	00		L	Ц			41.24
Cost of Goods Sold		L	Ц			29	5	1	5	00	76.91
Gross Profit		L	Ц			8	8	6	0	00	23.09
Direct Departmental Expenses		L	Ц				L				
Advertising Expense	1	2	0	0	00						3.13
Depreciation Expense - Store Equipment		3	8	0	00		L				0.99
Miscellaneous Expense		1	1	2	00		L				0.29
Layroll Faxes Expense		1	6	2	00		L				0.42
Salary Expense	2	0	0	0	00		L	L			5.21
Supplies Expense		1	1	5	00		L				0.30
Total Direct Departmental Expenses						3	9	6	9	00	10.34
Departmental Margin						4	8	9	1	00	12.74

<sup>\*</sup> each item rounded to the nearest 0.01%

### Extra-help Activity E

Complete the income statement for Bikes Inc. for the month ended April 30, 19xx. Calculate the percentage of net sales for each amount.

Dikes Inc.	
Income Statement	
For Month Ended April 30, 19xx	

% of Net Sales\* Net Sales New Bikes Department 58.65 Used Bikes Department 41.35 Fotal Net Sales 100.00 Gost of Goods Sold New Bikes Department 45.11 Used Bikes Department 23.16 Total Cost of Goods Sold 68.27 Gross Profit 8 8 6 0 00 New Bikes Department 13.54 11 9 0 0 00 Used Bikes Department 18.19 Total Gross Profit 20 7 6 0 00 31.73 Direct Departmental Expenses 3 9 6 9 00 New Bikes Department 6.07 4 3 9 1 00 Used Bikes Department 6.71 3 6 0 00 Total Direct Departmental Expenses 12.78 Departmental Margin 4 8 9 1 00 New Bikes Department 7.47 Used Bikes Department 5 0 9 00 11.48 Total Departmental Margin 12 4 0 0 00 18.95 Indirect Expenses 2 5 00 Bad Debts Expense 0.04 6 00 Depreciation Expense - Office Equipment 0.15 Insurance Expense 0.11 Interest Expense 0.18 Miscellaneous Expense 0.23 8 00 Layroll Taxes Expense - Administrative 0.24 Rent Expense 5 0 00 1.45 0 0 00 Salary Expense - Administrative 2.75 8 3 00 Supplies Expense - Administrative 0.13 Utilities Expense 0.50 3 7 8 1 00 Total Indirect Expenses 5.78 Net Income Before Corporate Income Tax 861900 13.17 301700 Less: Corporate Income Tax 4.61 Net Income Mer Corporate Income Tax 5 6 0 2 00 8.56

<sup>\*</sup> each item rounded to the nearest 0.01%

#### **Enrichment Activities**

# Enrichment Activity A

Prepare the worksheet for Fabbricci Fine Furniture for the month ended February 28, 19xx. The business is a sole proprietorship owned by Vince Fabbricci. It has two departments: Furniture and Appliances.

The balances in the general ledger are shown:

Account Title	Balance
Cash	\$ 8 024.00
Accounts Receivable	12 480.00
Allowance for Doubtful Accounts	1 048.00
Merchandise Inventory – Furniture	105 800.00
Merchandise Inventory – Appliances	40 100.00
Prepaid Insurance	1 350.00
Supplies	1 273.00
Delivery Equipment	45 000.00
Accumulated Depreciation - Delivery Equipment	11 808.00
Office Equipment	8 250.00
Accumulated Depreciation – Office Equipment	2 970.00
Store Fixtures – Furniture	18 350.00
Accumulated Depreciation – Store Fixtures – Furniture	3 670.00
Store Fixtures – Appliances	5 600.00
Accumulated Depreciation – Store Fixtures – Appliances	1 120.00
Accounts Payable	15 640.00
Employees Income Tax Payable	4 244.00
Canada Pension Plan Payable	614.00
Unemployment Insurance Payable	572.00
Vince Fabbricci, Capital	158 574.00
Vince Fabbricci, Drawings	5 000.00
Income Summary – Furniture	0
Income Summary – Appliances	0
Income Summary – General	0
Sales – Furniture	91 706.00
Sales Returns and Allowances – Furniture	730.00
Sales – Appliances	56 988.00
Sales Returns and Allowances – Appliances	950.00
Purchases – Furniture	54 060.00
Purchases – Appliances	13 480.00

Advertising Expense – Furniture	1 300.00
Delivery Expense – Furniture	0
Depreciation Expense – Delivery Equipment – Furniture	<del>-0</del>
Depreciation Expense – Store Fixtures – Furniture	0
Payroll Taxes Expense – Furniture	247.00
Salary Expense – Furniture	7 200.00
Supplies Expense – Furniture	0
Advertising Expense – Appliances	1 850.00
Delivery Expense – Appliances	0
Depreciation Expense – Delivery Equipment – Appliances	0
Depreciation Expense – Store Fixtures – Appliances	0
Payroll Taxes Expense – Appliances	154.00
Salary Expense – Appliances	4 500.00
Supplies Expense – Appliances	0
Bad Debts Expense	0
Delivery Expense– General	1 850.00
Depreciation Expense – Office Equipment	0
Insurance Expense	0
Miscellaneous Expense	541.00
Payroll Taxes Expense – Administrative	240.00
Rent Expense	3 000.00
Salary Expense – Administrative	7 000.00
Supplies Expense – Administrative	0
Utilities Expense	625.00

#### Make the following adjustments:

- Merchandise Inventory Furniture on February 28 is \$79 430.00.
- Merchandise Inventory Appliances on February 28 is \$21 760.00.
- Supplies inventory on February 28 is \$658.00. Of the supplies used, one third is to be charged to each of Furniture, Appliances, and Administrative.
- Insurance policies on February 28 are worth \$1 000.00.
- One half of the Delivery Expense should be charged to Furniture, the other half to Appliances. (Credit Delivery Expense General.)
- Depreciation on Delivery Equipment is \$1 312.00. Charge one half to Furniture and one half to Appliances.
- Depreciation on Store Fixtures Furniture is \$306.00.
- Depreciation on Store Fixtures Appliances is \$93.00.
- Depreciation on Office Equipment is \$124.00.
- Bad Debts Expense is estimated at \$200.00.

(This page has been intentionally left blank to accommodate the worksheet.)

Fabbricci

Work

For Month Ended

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					TR	IA	L B	ALA	٧C	E					Α	DJ	US	ΓMΕΙ	VT:	s			
		ACCOUNT																					
	ACCOUNT TITLE	NUMBER		DE	BI	Γ		(	CR	EDI	Т			DI	EBI	Т			CR	ED	IT		
1	Cash	1101	8	0	2	4	00																1
2	Accounts Receivable	1201	12	4	8	0	00																2
3	Allowance for Doubtful Accounts	1201.1						1	0	4	8	00		L	L			(1)	2	0	0	00	3
4	Merchandise Inventory - Furniture	1301	105	8	0	0	00			Ц			(4)	4	3	0	00	185	8	0	0	00	4
5	Merchandise Inventory - Appliances	1401	40	1	0	0	00			Ц			(2)	7	6	0	00	(d) <sub>20</sub>	1	0	0	00	5
6	Prepaid Insurance	1501	1	3	5	0	00			Ц				L	L			(f)				00	
7	Supplies	1511	1	2	7	3	00		L	Ц				$\perp$	L	L		(e)	6	1	5	00	7
8	Delivery Equipment	1601	45	0	0	0	00			Ц				L	L				L		Ц		8
9	Accumulated Depreciation - Delivery Equip.	1601.1				┙		11	8	0	8	00		L	L			<sup>(h)</sup> 1	3	1	2	00	9
10	Office Equipment	1611	8	2	5	0	00			Ц				L	L	L	<u> </u>		L	L			10
11	Accumulated Depreciation - Office Equipment	1611.1		L		_			9	z	0	00		L	L	L		(k)	1	2	4	00	11
12	Store Fixtures - Furniture	1621	18	3	5	0	00		L	Ц	_		_	L	L	L			L		Ц	Ш	12
13	Accum. Depr Store Fixtures - Furniture	1621.1		L	$\Box$			3	6	z	0	00		$\perp$	L		_	(i)	3	0	6	00	13
14	Store Fixtures - Appliances	1631	5	6	0	0	00		L	Ц				$\perp$	L		L	<u> </u>	L		Ц		14
15	Accum. Depr Store Fixtures - Appliances	1631.1		L	Ц	$\rfloor$		1	1	2	0	00		$\perp$	L	L		(i)	L	9	3	00	15
16	Accounts Layable	2001		L	Ц	4	_	15	6	4	0	00		L	L		_	_	$\perp$	$\perp$	Ц	Ш	16
17	Employees Income Tax Layable	2101		L	Ц			4	2	4	4	00		$\perp$	L	L	_	<u> </u>	L	L	Ц	Ш	17
18	Canada Lension Llan Layable	2102				┙			_	_	_	00	L	$\perp$	L	L	<u> </u>	<u></u>	L		Ц		18
19	Unemployment Insurance Layable	2103		L	Ц	┙						00	<u>L</u>	L	L	L			$\perp$	L	Ц	Ш	19
20	Vince Fabbricci, Capital	3001		L	Ц			158	5	7	4	00		L	L				L	L	Ц	Ш	20
21	Vince Fabbricci, Drawings	3002	5	0	0	0	00		L	Ц				L	L	L			L	L	Ц	Ш	21
22	Income Summary - Furniture	3991		L		╛			L	Ц			183	8	0	0	00	(4)99	4	3	0	00	22
23	Income Summary - Appliances	3992		L	Ц				L	Ц			(4)	1	0	0	00	(2)	7	6	0	00	23
24	Income Summary - General	3999		L	Ц				L	Ц				1	L	L			$\perp$		Ц	Ш	24
25	Sales - Furniture	4001		L	Ц			91	7	0	6	00		L	L	L		_	$\perp$	$\perp$	Ц		25
26	Sales Returns and Allowances - Furniture	4001.1		7	3	0	00		L	Ц				L	L	L			L		Ш		26
27	Sales - Appliances	4101		L	Ц			56	9	8	8	00		$\perp$	L	L			$\perp$	L	Ц		27
28	Sales Returns and Allowances - Appliances	4101.1		9	5	0	00		L	Ц				┸					$\perp$		Ш		28
29	Lurchases - Furniture	5001	54						L	Ц					L				$\perp$	L			29
30	Lurchases - Appliances	5101	13							Ц					L	L			L	L	Ц		30
31	Advertising Expense - Furniture	6001	1	3	0	0	00		L	Ц				L		L			$\perp$	L	Ц		31
32	Delivery Expense - Furniture	6011		L	Ц				L	Ц			(g)				00		L	L	Ц		32
33	Depr. Exp Delivery Equipment - Furniture	6021								Ц			(h)	_	5	_	_		L	L			33
34	Depr. Expense - Store Fixtures - Furniture	6031		L					L	Ц			(i)	3	0	6	00						34
35	Layroll Taxes Expense - Furniture	6041		2	4	7	00						L_	L		L							35

Fine Furniture

sheet

February 28, 19xx

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5																l							$\perp$				$\perp$	L	Ш	21	7	6	0	00	<u>I</u>						5
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7						Ц					L	L	L			1	$\perp$		$\perp$			$\perp$		L				L	Ш		6	5	8	oc	业						7
8		Ц				Ц					L	L	L			1	$\perp$		1			$\perp$	$\perp$	L		L	$\perp$	L	Ц	45	0	0	0	oc	业				$\perp$		8
9																					L	$\perp$	$\perp$	L			$\perp$		Ш		L				$\perp$	13	1	2	0	00	9
10		Ц									L						$\perp$		1		L	⅃	$\perp$	L		L		L	Ш	8	2	5	0	oc	业						10
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17																I	Ι																			4	2	4	4	00	17
18																		Ι									$\perp$	L									6	1	4	00	18
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20						Ц	Ш				L	L	L			1								L		L		L	Ш		L		L	L	1	58	5	7	4 1	00	20
21		Ц									L	L	L			1					L	$\perp$	$\perp$				$\perp$	L	Ш	5	0	0	0	oc	业						21
22	105	8	00	00	79	4	3	0	00		L	L										$\perp$	$\perp$			L		L	Ш		L	L	L		$\perp$				$\perp$		22
23		Ц				Ц				40	1	0	0	00	21		7 0	5 (	0	00	L			L		L	$\perp$	L	Ш		L				$\perp$						23
24		Ц	$\perp$			Ш													⊥		L	$\perp$	$\perp$	L											1						24
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32		9	2 5	00															T					Γ				Ι			Γ	Г			I				T		32
33		6	5 6	00												Ī		I	I			I	Ι																T		33
34				00												I	T	J	J					Γ				I				Γ			T						34
35		2	4 7	00												I	$\prod$	I	I			$\prod$	I				1	Ι							I				T		35

Fabbricci

Worksheet

For Month Ended

37   Jupplica Expense - Furniture						1					2					3	_				4		
ACCOUNT TITLE						TR	ìΙΑ	L B	ALAI	VCI	E					Α	DJ	US'	TME	VT:	3		
Salary Expense - Furniture			ACCOUNT															ī					1
37   Supplies Expense - Furniture		ACCOUNT TITLE	NUMBER		DE	BI.	Т		(	CRI	EDI	Т			DE	ВІ	Т			CR	EDI	Т	
38	36	Salary Expense - Furniture	6051	7	2	0	0	00													$\Box$	T	36
33   Orlivery Expense - Appliances	37		6061									Ι		(e)	2	0	5	00					37
10	38	Advertising Expense - Appliances	6101	1	8	5	0	00				T									П		38
40 Depr. Exp Delivery Equip - Appliances 6121	39	Delivery Expense - Appliances	6111		П						П			(g)	9	2	5	00			П	T	39
1	40		6121		П	٦	П			П	П	Т		(h)	6	5	6	00		Π	П	T	40
A2   Payroll Faxee Expense - Appliances	41		6131		П		7			П	П	T		(j)		9	3	00		Г	П	Т	41
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Fine Furniture

(continued)

February 28, 19xx

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# Enrichment Activity B

You will need the solution from Enrichment Activity A in order to complete Enrichment Activity B.

Prepare the two departmental margin statements for Fabbricci Fine Furniture for the month of February 28, 19xx. Calculate the percentage of net sales for each amount.

Fabbricci Fine Furniture	
Departmental Margin Statement - Furniture	
For Month Ended February 28, 19xx	
	% of

Net Sales\* Revenue 91 7 0 6 Sales 100.79 7 3 0 00 Less: Sales Returns and Allowances 0.08 90 9 7 6 Net Sales 100.00 Cost of Goods Sold 105 8 0 0 00 Merchandise Inventory, February 1, 19xx 116.28 54 0 6 0 00 Lurchases 59.42 Total Cost of Goods Available for Sale 175.70 Merchandise Inventory, February 28, 19xx 87.30 Cost of Goods Sold 80 4 3 0 00 88.40 Gross Profit 10 5 4 6 00 11.59 Direct Departmental Expenses Advertising Expense 3 0 0 00 1.43 9 2 5 00 Delivery Expense 1.02 Depreciation Expense - Delivery Equipment 0.72 Depreciation Expense - Store Fixtures 3 0 6 00 0.34 7 00 Lauroll Taxes Expense 0.27 Salary Expense 7.91 Supplies Expense 0.23 Total Direct Departmental Expenses 10 8 3 9 00 11.91 Departmental Margin (Loss) 2 9 3 00) 0.32

<sup>\*</sup> each item rounded to the nearest 0.01%

# Fabbricci Fine Furniture

# Departmental Margin Statement - Appliances For Month Ended February 28, 19xx

Revenue		L	L				L	L	L		
Sales	56	9	8	8	00		L	L			101.70
Less: Sales Returns and Allowances		9	5	0	00		L	L	L		1.70
Net Sales		L				56	0	3	8	00	100.00
Cost of Goods Sold		L	L				L	L	L		
Merchandise Inventory, February 1, 19xx	40	1	0	0	00		L	L	L		71.56
Lurchases	13	4	8	0	00		L	L	L		24.06
Total Cost of Goods Available for Sale	53	5	8	Q	00		L	L	L		95.61
Merchandise Inventory, February 28, 19xx	21	7	6	0	00		L	L	L		38.83
Cost of Goods Sold		L	Ц			31	8	2	0	00	56.78
Gross Profit		L	L			24	2	1	8	00	43.22
Direct Departmental Expenses		L	Ц				L	L	L		
Advertising Expense	1	8	5	0	00		L	L			3.30
Delivery Expense		9	2	5	00		L	L	L		1.65
Depreciation Expense - Delivery Equipment		6	5	6	00		L	L	L		1,17
Depreciation Expense - Store Fixtures		L	9	3	00		L	L	L		0.17
Layroll Faxes Expense		1	5	4	00		L	L	L		0.27
Salary Expense	4	5	0	0	00		L	L			8.03
Supplies Expense		2	0	5	00		L	L	L		0.37
Fotal Direct Departmental Expenses		L	L			8	3	8	3	00	14.96
Departmental Margin		L				15	8	3	5	00	28.26
		T					T	Т	Γ		

<sup>\*</sup> each item rounded to the nearest 0.01%

#### Enrichment Activity C

You will need the solutions from Enrichment Activity A and B to complete this activity.

Prepare the income statement for Fabbricci Fine Furniture for the month ended February 28, 19xx.

Sn.	come Statement
For Month	Ended February 28, 19xx
	% of Net Sales*
Net Sales	
Furniture Department	90 9 7 6 00 61.88

Fotal Net Sales 100.00 Cost of Goods Sold 80 4 3 0 00 Furniture Department 54.71 Appliances Department 21.64 112 2 5 0 00 Total Cost of Goods Sold 76.35 Gross Profit 10 5 4 6 00 Furniture Department 7.17 Appliances Department 16.47 Total Gross Profit 23.65 Direct Departmental Expenses Furniture Department 10 8 3 9 00 7.37 8 3 8 3 00 Appliances Department 5.70 19 2 2 Total Direct Departmental Expenses 13.07 Departmental Margin (Loss) ( 2 9 3 00) Furniture Department 0.20 15 8 3 5 00 Appliances Department 10.77 Total Departmental Margin 10.57 Indirect Expenses Bad Debts Expense 20000 0.14 Depreciation Expense - Office Equipment 0.08 Insurance Expense 0.24 Miscellaneous Expense 0.37 Lauroll Faxes Expense - Administrative 0.16 Rent Expense 2.04 Salary Expense - Administrative 0 0 0 00 4.76 Supplies Expense - Administrative 0.14 Utilities Expense 0.43 Total Indirect Expenses 8.36 3 2 5 7 00 Net Income 2.22

<sup>\*</sup> each item rounded to the nearest 0.01%

# Section 1 Assignment

The assignment and answers for Section 1 are given on the following pages. A suggested mark distribution follows:

The marks are also given in the left margin beside each question.

# Section 1 Assignment A

4

Match the following terms with the appropriate definitions.

A adjusting entry F indirect expense B adjustments G manufacturing business C cost accounting H merchandising business D departmental margin I responsibility accounting J worksheet E direct expense D 1. the revenue earned by a department less its cost of goods sold less its direct expenses 2. assigning control of the revenues, costs of goods sold, and expenses in a business E 3. an operating expense that can be charged to the operation of a specific department 4. the analysis paper on which the financial condition of a business is summarized before the preparation of financial statements 5. changes in general ledger accounts that are recorded at the end of a fiscal period to bring the accounts up-to-date C 6. a specialized field concerned with determining and controlling the costs of products and/ or departments

A 7. a journal entry prepared to bring the account balances in the general ledger up-to-date

H 8. a business that buys products from one or more sources and, without changing their form,

sells these products to a number of customers

# Section 1 Assignment B

For each of	f the following, select the answer that best completes the statement.
<u>C</u> 1.	Departmental responsibility statements show
	<ul> <li>A. the name of the department manager</li> <li>B. the percentage of the department's share of the net income of the business</li> <li>C. revenue, cost of goods sold, and direct expenses</li> <li>D. revenue, cost of goods sold, and direct and indirect expenses</li> </ul>
_ <i>D</i> 2.	On the worksheet for a departmentalized merchandising business, the assets are extended to the
	<ul> <li>A. Adjustments columns</li> <li>B. Departmental Margin Statements columns</li> <li>C. Income Statement columns</li> <li>D. Balance Sheet columns</li> </ul>
_ <i>D</i> 3.	On the worksheet for a departmentalized merchandising business, the capital accounts are extended to the
	<ul> <li>A. Adjustments columns</li> <li>B. Departmental Margin Statements columns</li> <li>C. Income Statement columns</li> <li>D. Balance Sheet columns</li> </ul>
<u>B</u> 4.	On the worksheet for a departmentalized merchandising business, the Purchases and Purchases Returns and Allowances accounts are extended to the
	<ul> <li>A. Adjustments columns</li> <li>B. Departmental Margin Statements columns</li> <li>C. Income Statement columns</li> <li>D. Balance Sheet columns</li> </ul>
<u>B</u> 5.	On the worksheet for a departmentalized merchandising business, the direct expenses are extended to the
	<ul> <li>A. Adjustments columns</li> <li>B. Departmental Margin Statements columns</li> <li>C. Income Statement columns</li> <li>D. Balance Sheet columns</li> </ul>

_ <u>C</u> _	6.	On the worksheet for a departmentalized merchandising business, the indirect expenses are extended to the
		<ul> <li>A. Adjustments columns</li> <li>B. Departmental Margin Statements columns</li> <li>C. Income Statement columns</li> <li>D. Balance Sheet columns</li> </ul>
_ <i>D</i>	7.	The data used to prepare the income statement is taken from the
		<ul> <li>A. income summary</li> <li>B. general ledger</li> <li>C. Income Statement columns of the worksheet</li> <li>D. Income Statement columns of the worksheet plus the departmental margin statements</li> </ul>
_ <i>D</i>	8.	The data used to prepare the balance sheet is taken directly from the
		<ul> <li>A. Trial Balance columns of the worksheet</li> <li>B. Trial Balance and Adjustments columns of the worksheet</li> <li>C. Trial Balance, Adjustments, and Income Statement columns of the worksheet</li> <li>D. none of the above</li> </ul>
_ <u>B</u>	9.	The sections on an income statement for a departmentalized business do not include
		<ul><li>A. Net Sales</li><li>B. Net Purchases</li><li>C. Departmental Margin</li><li>D. Indirect Expenses</li></ul>
_A_	10.	The Merchandise Inventory balance at the beginning of the fiscal period is extended to the
		<ul> <li>A. Departmental Margin Statements columns</li> <li>B. Income Statement columns</li> <li>C. Balance Sheet columns</li> <li>D. Income Summary columns</li> </ul>
_ <u>A</u>	11.	To calculate what percentage Purchases is of Net Sales,
		<ul> <li>A. divide Purchases by Net Sales and multiply by 100</li> <li>B. divide Net Sales by Purchases and multiply by 100</li> <li>C. multiply Purchases by Net Sales and divide by 100</li> <li>D. multiply Purchases by Net Sales and multiply by 100</li> </ul>
_ <u>C</u> _	12.	To calculate 37% of \$36 875.00,
		<ul> <li>A. divide \$36 875.00 by 37</li> <li>B. divide \$36 875.00 by 37 and multiply by 100</li> <li>C. multiply by \$36 875.00 by 37 and divide by 100</li> </ul>

D. multiply \$36 875.00 by 37

# Section 1 Assignment C



High Street is a departmentalized clothing store with two departments – Ladies' Wear and Men's Wear. Complete the table on the response page.

For each item, choose the statement in which the item will be reported. Record the appropriate number in the first column. Next choose the section in which the item will be reported. Record the appropriate letter in the second column.

- (1) departmental margin statement
- (2) income statement
- (3) neither of the above

- R Revenue
- S Net Sales
- C Cost of Goods Sold
- D Direct Departmental Expenses
- I Indirect Expenses
- N none of the above

		Statement	Section
1.	Supplies	3	N
2.	Depreciation Expense – Store Equipment – Ladies' Wear	1	D
3.	Insurance Expense	2	I
4.	Merchandise Inventory – Men's Wear	1	С
5.	Corporate Income Tax Payable	3	I

# Section 1 Assignment D



Sundance Gifts & Flowers is located in a high-traffic, high-rent shopping mall. Although most sales are in the Gifts Department, there are significant sales of fresh and potted flowers in the Flowers Department. A partial worksheet for the month ended June 30, 19xx, is given.

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	ACCOUNT TITLE	NUMBER			DEB	IT		1	RED	ΝT			DE	BIT			CRE	DIT			DE	81	т		c	RE	DIT		ı
-	Income Summary - Gifts	3901					00	41	_		00		T	Т	T		П	Т	Т	-	T	П	Т	-	可	T	П	П	1
2	Income Summary - Flowers	3911			7	Ħ	-	-	7	Ħ	-	,	7	2 4	00		R	5 1	00		H	Н	$^{\dagger}$	-	_	+	H	П	2
3	Income Summary - General	3999			$\top$	Ħ	7		T	H		Ť	Ť	+	100	_	Ĭ	1	100	$\vdash$	Ħ	H	十	1		+	Ħ		3
4	Sales - Gifts	4001			_	Ħ		95	4 7	1	00		+	+	1		H	$^{\dagger}$		-	Ħ	Н	$^{\dagger}$	-#		+	Ħ		4
5	Sales Returns and Allowances - Gifts	4001.1		,	2 2	1	00		+	Ħ	~		1	$\dagger$	1		H	+			T	Н	$\dagger$	-#		+	$\mathbf{H}$		5
6	Sales - Flowers	4101		Ť	Ť	ĬΪ	-		+	Н	1		Ħ	$^{\dagger}$		10	٦	,	00	1	T	Н	†	1		+	H	М	6
7	Sales Returns and Allowances - Flowers	4101.1			$\top$	Ħ	7		$^{+}$	H			,	٦,	00		Ħ	Ť	1	1	$^{\dagger}$	Н	+	-#	$\neg$	+	+1	П	7
8	Lurchases - Gifts	5001		55	19	3	00		1	H	7		~	+	100		Н	$^{+}$	1		t	Н	+	#	$\neg$	+	Ħ	П	8
9	Lurchases Returns and Allowances - Sife	5001.1			Ť	Ť		2	0 1	5	00			+	1		Н	T			T	П	$^{\dagger}$	#	$\neg$	+	$^{\dagger}$	$\Box$	9
10	Lurchases - Flowers	5101			+	Ħ		Ĩ	1	Ħ		5	6	8 2	00		H	$^{\dagger}$	t	1	T	Н	十	7		+	††		10
11	Lurchases Returns and Allowances -	5101.1			+	Ħ	7		1	П	$\neg$		Ť	+	100	-	١,	010	00	1		Н	+	7		T	††		11
12	Flowers	6001	1	3	1 5	0	00		$\top$	П			$\Box$	$^{\dagger}$	1		Ħ	+	1		T	П	$\dagger$			1	T		12
13	Advertising Expense - Gifts	6011			2 8				$\top$	П				Ť	$\vdash$		П	†			T	П	$\dagger$	1		T	T		13
14	Depreciation Exp Store Equipment - Gifts	6021			30				1	П				T	1		H	†			T	П	1	1		T	+	$\Box$	14
15	Insurance Expense - Gifts	6031			5 8				$\top$	П			$\top$	Ť	T		Ħ	T				П	1	1		T	H	П	15
16	Payroll Faxes Expense - Gifts	6041			70				$\top$	П			1	Ť			П	T		1	T	П	1	7		$\top$	+	$\Box$	16
17	Salary Expense - Sifts	6051			4 2				$\top$	П			П	Ť	1		П	1		1	1	П	1	1		1	Ħ		17
18	Supplies Expense - Gifts	6101			T	Ħ			$\top$	П			2	ola	00		П	1			T	П	1			$\top$	T	П	18
19	Advertising Expense - Flowers	6111			1	П			1	П			+	-	00		П	+			T	П		1		1	Ħ	П	19
20	Delivery Expense - Flowers	6121			$\top$	П			T	П					00		П	T			T	П	1	1		$\top$	Ħ		20
21	Depr. Exp Delivery Equipment - Flowers	6131			T	$\Pi$			T	П			1	2 0	00		П	T			1	П		1		T	T		21
22	Depr. Exp Refrig. Equipment - Flowers	6141			T	П			T	П				2 (	00		П	T			Τ	П	T			T	T	П	22
23	Depr. Exp Store Equipment - Flowere	6151			Т	П			T	П			П	2 5	00			T			T	П				T	П		23
24	Insurance Expense - Flowers	6161			T	П			T	П			1	10	00		П	T	T		Т	П	1			Т	П	П	24
25	Layroll Faxes Expense - Flowers	6171			T	П	$\neg$		Т	П		2	0	00	00		П	T			Т	П	Т			Т	П		25
26	Salary Expense - Flowers	6181			Т	П			Т	П			7	2 0	00		П	T			Т	П	T			Τ	П		26
27	Supplies Expense - Flowers	6501			Т	П			T	П			П	T	Г		П	T			1	8	7	00		T	П		27
28	Depreciation Expense - Office Equiment	6511			Т	П			Т	П			П	Т	Г		П	Т	П		Т	9	5	00		Т	Т		28
29	Insurance Expense - Administrative	6521			Т	П			Т	П			П	Т			П	T	Т		5	3	1	00		Т	T		29
30	Miscellaneous Expense - Administrative	6531			T	П			T	П				T			П	T	T		4	6	3 (	00			П		30
31	Layroll Faxes Expense - Administrative	6541				П			Т	П			П	Т			П	Т		3	8	0	0	00		Т	Т		31
32	Rent Expense	6551			T	П				П			П	Τ			П	Т			30	0	0	00		П	$\Box$		32
33	Salary Expense - Administrative	6561			Т	П			Т	П			П	Τ			П	T	П		ī	0	9	00		Т	Т		33
34	Supplies Expense - Administrative	6571			T	П			Т	П			П	Т	П		П	T			5	2	0	00		П	Т		34
35	Utilities Expense			122	6 9	3	00	138	7 4	0	00	11	0	6 3	00	19	9	7	3 00		Τ	Г	П			Т	T		35
36			[	16	0 4	7	00		$\perp$	П				Ι			П	Τ			Γ				16	0	1 7	00	36
37	Departmental Margin - Gifts								I	$\Box$					00			I	L		Γ				8	9 (	26	00	37
38	Departmental Margin - Flowers			138	7 4	0	00	138	7 4	0	00	19	9	7 3	00	19	9	7	3 00		L								38
39		9001			Ī	П			Ī	П			I	Ī			♬	T	Г					00					39
40	Gorporate Income Tax				$\perp$	$\prod$			Ι	$\prod$				I				I							24	9 :	5 3	00	40
41					$\int$	$\prod$			$oldsymbol{\mathbb{I}}$	П				I			$\coprod$	$\prod$					1			$\prod$	$oldsymbol{\Gamma}$		41
42	Net Income After Corporate Income Tax					$\coprod$			$\perp$	П			Ц				П			24	19	5	3	00	24	9 :	5 3	00	
43						П			$oldsymbol{\mathbb{I}}$	Ц							П		L		T						1		43
44					T	П			T				П	T				T					Т	-{			17		44

Instruction 1: Prepare a departmental margin statement for the Gifts Department. Calculate the percentage of net sales.

Sundance Flowers and Gifts
Departmental Margin Statement - Gifts
For Month Ended June 30, 19xx

	-0		_	_		_	_	_			_	_	_	п	Net Sales*
Revenue	-	4	$\perp$		_	Ц	Ц	4	_	_	L	Ц			
Sales		Щ	$\perp$		95	4	7	5	00		L	Ц			101.29
Less: Sales Returns and Allowances		Ц	$\perp$		1	2	2	0	00		L	Ц			1.29
Net Sales			L			Ц	Ц			94	2	5	5	00	100.00
Cost of Goods Sold		Ш	L			Ш	Ш				L	Ш			
Merchandise Inventory, June 1, 19xx			L		50	8	3	6	00			Ш			53.94
Lurchases	55	1	3	00		Ц	Ц				L	Ц			58.56
Less: Lurchases Returns and Allowances	2	0	1 5	00		Ц	Ц	$\perp$			L	Ц			2.14
Net Lurchases		Ц	L		53	1	7	8	00		L	Ц			56.42
Total Cost of Goods Available for Sale			L		104	0	1	4	00		L	Ц			110.35
Less: Merchandise Inventory, June 30, 19xx		Ц	L		41	2	5	0	00		L	Ц			43.76
Cost of Goods Sold		Ц	$\perp$			Ц	Ц			62	7	6	4	00	66.59
Gross Profit			L			Ш				31	4	9	1	00	33.41
Direct Departmental Expenses		Ш					Ш					Ш			
Advertising Expense			L		3	1	5	0	00						3.34
Depreciation Expense - Store Equipment			I			2	8	3	00						0.30
Insurance Expense						3	0	0	00						0.32
Layroll Taxes Expense			I			5	8	2	00						0.62
Salary Expense			Ι		9	7	o	0	00						10.29
Supplies Expense							П		00						1.52
Fotal Direct Departmental Expenses										15	4	4	4	00	16.39
Departmental Margin										16	0	4	7	00	17.03
,		T	T	F			H	Ŧ			Г				

<sup>\*</sup> each item rounded to the nearest 0.01%

**Instruction 2:** Prepare the departmental margin statement for the Flowers Department. Calculate the percentage of net sales.

Sundance Flowers and Gifts	
Departmental Margin Statement - Flowers	
For Month Ended June 30, 19xx	

Revenue	₩	Н	+			╀	Н	Н			L	Н	4	$-\parallel$	
Sales		Н	$\perp$		19	$\overline{}$			00		L	Ц	4	-	101.26
Less: Sales Returns and Allowances	┞	Щ	╀	Ш		2	3	6	00			Ц	_	_	1.26
Net Sales	<b> </b>	Ш	┸			$\perp$	Ц	Ц		18	7	8	6	00	100.00
Cost of Goods Sold		Ш	$\perp$			L	Ц	Ц			L	Ц	_	4	
Merchandise Inventory, June 1, 19xx		Ш	L		1	3	2	4	00		L	Ц		_	7.05
Lurchases	5	6 8	3 2	00		L	Ц	Ц	_		L	Ц		_	30.25
Less: Lurchases Returns and Allowances		110	20	00		L	Ц	Ц			L	Ц		$\blacksquare$	0.53
Net Lurchases		Ц	┸		5	5	8	2	00		L	Ц		$\parallel$	29.71
Total Cost of Goods Available for Sale		Ц	$\perp$	Ш	6	9	0	6	00		L	Ц		$\dashv$	36.76
Less: Merchandise Inventory, June 30, 19xx		Ц	$\perp$			8	5	1	00		L	Ц			4.53
Cost of Goods Sold		Ц	$\perp$			L	Ш	Ц		6	0	5	5	00	32.23
Gross Grofit		Ц	$\perp$			L		Ц		12	7	3	1	00	67.77
Direct Departmental Expenses		Ц				L	L	Ц			L	Ц			
Advertising Expense		Ц	$\perp$			2	0	0	00		L	Ц			1.06
Delivery Expense		Ц	$\perp$			4	3	0	00		L	Ц			2.29
Depreciation Expense - Delivery Equipment	1	Ш	$\perp$			2	0	0	00		L	Ц			1.06
Depreciation Expense - Refrigeration Equipment		Ц	1			1	2	0	00		L	Ц			0.64
Depreciation Expense - Store Equipment	<b></b>	Ш	1			$\perp$	2	0	00		L	Ц		$\parallel$	0.11
Insurance Expense		Ш	_			L	2	5	00		L	Ц	Ц		0.13
Layroll Faxes Expense		Ш	_		L	1	1	0	00		L	Ц			0.59
Salary Expense		Ш			2	0	0	0	00		L	Ц			10.65
Supplies Expense		Ц				7	2	0	00		L	Ш			3.83
Total Direct Departmental Expenses		Ц				L				3	8	2	5	00	20.36
Departmental Margin										8	9	0	6	00	47.41

<sup>\*</sup> each item rounded to the nearest 0.01%

Instruction 3: Prepare the income statement, and complete the percentage of net sales column.

Calculate corporate income tax at 35% (to the nearest dollar). Calculate the percentage of net sales.

Sundance Flowers and Gifts
Income Statement
For Month Ended June 30, 19xx

Net Sales		Τ	Τ				Т	T	Γ		
sel Sales Silis Department		1	ţ	5	00	-	t	t	t	$\vdash$	83.38
Flowers Department					00		t	t	H	Н	16.62
Total Net Sales	1	Ť	۲	٦	00	113	1	1	1,	00	100.00
Cost of Goods Sold		T	T	T		113	ľ	7	ľ	00	100.00
Gifts Department	6	, ,	16	4	00		T		T		55.52
Flowers Department					00		T	Τ			5.36
Total Cost of Goods Sold		T	T	Ī		68	8	1	9	00	60.88
Gross Profit			Γ								
Gifts Department	3.	1 4	9	1	00		Γ				27.86
Flowers Department					00						11.26
Total Gross Profit						44	2	2	2	00	39.12
Direct Departmental Expenses			L	L			L		L		
Gifts Department	. 1:	5 4	4	4	00		L	L	L		13.66
Flowers Department		3 8	2	5	00		L				3.38
Total Direct Departmental Expenses			L	L		19	2	6	9	00	17.04
Departmental Margin		$\perp$	L	L				L	L		
Gifts Department	1	5 0	4	7	00		L	L	L		14.20
Flowers Department		3 9	0	6	00	L_	L		L		7.88
Total Departmental Margin		$\perp$	L	L		24	9	5	3	00	22.07
Indirect Expenses		1	L	L		_	L	L	L		
Depreciation Expense - Office Equipment		1	т	$\overline{}$	00	<u> </u>	Ļ	L	L		0.17
Insurance Expense		1	т-	$\mathbf{T}$	00	<u> </u>	$\perp$	L	L		0.08
Miscellaneous Expense		_	_	_	00		L	Ļ	L		0.47
Layroll Taxes Expense				T	00	<b> </b>	Ļ	Ļ	Ļ		0.41
Rent Expense		_	_	$\mathbf{r}$	00		L	L	Ļ		3.36
Salary Expense			1-	1	00	<b></b>	$\downarrow$	L	L		7.08
Supplies Expense			т	т	00	<u> </u>	╀	╀	L		0.10
Utilities Expense		٤	2	0	00	<u> </u>	Ļ	1	L		0.46
Total Indirect Expenses		1	L	L	_					00	12.12
Net Income Before Corporate Income Tax		+	-	L						00	9.95
Less: Corporate Income Taxo		+	1	L	_	3	$\overline{}$	_	7	00	3.48
Net Income After Corporate Income Tax						7	13	1	1	00	6.47

<sup>\*</sup> each item rounded to the nearest 0.01%

#### Section 1 Assignment E



Valleyfield Jewellers deals primarily in high-quality jewellery. To cater to a larger clientele, they also carry several lines of bone china, silver-plated flatware, crystal, and other bridal gift items. The trial balance as of July 31, 19xx, is given on the worksheet.

Instruction 1: Record the following adjustments on the worksheet.

- Bad Debts Expense is estimated at \$50.00.
- Depreciation Expense on Office Equipment is \$57.00.
- Depreciation Expense on Store Equipment in Jewellery is \$211.00.
- Depreciation Expense on Store Equipment in China is \$158.00.
- Advertising Expense is charged 50% to Jewellery and 50% to China. (Credit Advertising Expense in the Indirect Expenses section.)
- Security Expense is charged 80% to Jewellery and 20% to China. (Credit Security Expense in the Indirect Expenses section.)
- Office Supplies are worth \$251.00 at the end of the month. Charge Office Supplies Expense.
- Store Supplies are worth \$469.00 at the end of the month. Charge 20% to Store Supplies Expense – Jewellery and 80% to Store Supplies Expense – China.
- Prepaid Insurance policies are worth \$4 580.00 at the end of the month. Charge 10% to Insurance Expense Administrative, 60% to Insurance Expense Jewellery, and 30% to Insurance Expense China.
- Merchandise Inventory Jewellery is worth \$78 230.00 at the end of the month.
- Merchandise Inventory China is worth \$34 499.00 at the end of the month.

**Instruction 2:** Complete the worksheet for the month. Calculate the corporate income tax (to the nearest dollar) at 35% of the net income before corporate income taxes.

Valleyfield

For Month Ended

Gor Month Ended

					1					2					3				_	4			_
					TF	RIA	L B	ALAN	ICE	E					Α	DJ	UST	MEN	ITS	3			
	-	ACCOUNT																					
	ACCOUNT TITLE	NUMBER		DE	ВІ	Т			CRE	ED	Т			DE	BI	Т		•	CRI	EDI	Т		
1	Gash	1101	3	7	8	5	00																1
2	Accounts Receivable	1201	1	9	0	4	00														$\prod$		2
3	Allowance for Doubtful Accounts	1201.1							1	8	4	00						(a)				00	
4	Merchandise Inventory - Jewellery	1301	75	4	8	3	00						<sup>(k)</sup> /8	2	3	0	00	4)5	4	8	3	00	4
5	Merchandise Inventory - China	1401	30	6	8	9	00						(m) 34	4	9	9	00	(1)30	6	8	9	00	5
6	Office Supplies	1501		3	9	4	00											(g)	1	4	3	00	6
7	Store Supplies	1511		8	2	4	00											(h)	3	5	5	00	7
8	Grepaid Insurance	1521	5	2	3	0	00		Ц									(i)	6	5	0	00	8
9	Office Equipment	1601	3	4	2	0	00		Ш					L					Ш	Ш			9
10	Accumulated Depreciation - Office Equipment	1601.1						2	0	5	2	00						(b)		5	7	00	10
11	Store Equipment - Jewellery	1611	12	6	7	2	00							L					Ш				11
12	Accum. Deprec Store Equip Jewellery	1611.1						5	0	6	8	00						(c)	2	1	1	00	12
13	Store Equipment - China	1621	9	4	7	0	00																13
14	Accum. Deprec Store Equipment - China	1621.1						3	7	8	8	00						(d)	1	5	8	00	14
15	Accounts Layable	2001						1	8	6	0	00		Γ						П	Т	- 11	15
16	Bank Loan Layable	2101				П		25	0	0	0	00		Γ					П	П	T		16
17	Employees Income Fax Layable	2201				П		2	6	9	0	00		Γ					П	П	T		17
18	Ganada Lension Llan Layable	2202							6	9	2	00		Γ					П		T		18
19	Unemployment Insurance Layable	2203							8	1	4	00											19
20	Corporate Income Tax Layable	2211																<sup>(n)</sup> 1	5	2	1	00	20
21	Gapital Stock - Gommon	3001						80	0	0	0	00											21
22	Retained Carnings	3101						22	3	1	1	00											22
23	Income Summary - Jewellery	3901											(i) 75	4	8	3	00	(k) 8	2	3	0	00	23
24	Income Summary - China	3911											30	6	8	9	00	(m) 34	4	9	9	00	24
25	Income Summary - General	3999																					25
26	Sales - Jewellery	4001						25	8	6	3	00		Ι									26
27	Sales Returns and Allowances - Jewellery	4001.1	1	5	0	0	00							Γ							$\Box$		27
28	Sales - China	4101						20	4	2	0	00		Γ									28
29	Sales Returns and Allowances - China	4101.1		1	8	5	00		П					Γ	Γ				П	П	П		29
30	Lurchases - Jewellery	5001	12	4	0	0	00		П					Γ		Γ				П			30
31	Lurchases Returns and Allow Jewellery	5001.1		Γ	Г				5	7	3	00		Γ	Γ	Г				П	Ţ		31
32	Lurchases - China	5101	15	0	1	5	00		П					Γ						П	$\Box$		32
33	Lurchases Returns and Allowances - China	5101.1							5	0	9	00							Γ		T		33
34		6001							П				(e)	6	0	0	00		Г				34
35		6011											(c)		1								35

Jewellers Ltd.

sheet

July 31, 19xx

			5		_			6					7				_	8					9				10				11				===	12	_		_
				D	EPA	RTN	1EN	NT.	AL	MA	RG	N:	ST	AT	EME	NTS	3					IN	1CC	ME	ST	ATE	ME	NT			ΒA	\L/	ANC	E SH	EE	Т			
				JE	WEI	LER	Υ								СНІ	NA									į														
		DE	BI	T			CRI	ED	IT			D	EBI	Т			CR	EC	IT			D	EBI	T		(	RE	DIT		DI	BI	T			CR	ED	IT		
1																													3	7	8	5	00						1
2																													1	9	0	4	00						2
3																														L					2	3	4	00	3
4																													78	2	3	0	00						4
5												L																	34	4	9	9	00						5
6																														2	5	1	00						6
7												Ι																		4	6	9	00						7
8												Π					Γ	Γ	Γ				Τ	П				П	4	5	8	0	00		Γ	П	T		8
9		П		1								Τ					Г	Γ					Т	П				П	3	4	2	0	00				П		9
10		П		T			П					T					Г		Г				Γ	П				П			П				1	o	9	00	10
11							П					Τ					Г							П				П	12	6	7	2	00		Γ	П	T		11
12		П		7								Т					Г	Γ	Г			T	Τ	П			T	П		Τ	П				2	7	9	00	12
13		П					П					T							Γ		T		Τ	П			T	П	9	4	7	0	00		Γ	П	T		13
14		П					П					T					Γ	T		Γ		T	T	П				П		Τ	П			_	9	4	6	00	14
15		П					П					Т					Γ	T				T	Т	П				П		T	П							00	
16												T					T	Γ				T	T	П							П							00	
17																	T	Γ	Г				Γ							Γ				2	6	9	0	00	17
18												Π										T	Π							Τ					6	9	2	00	18
19												T					Γ	Γ	Γ			Т	Т				П	П		Γ	П							00	
20																	Γ	Γ			$\mathbb{T}$	Т		П				П		Γ				1	5	2	1	00	20
21		П										Τ					Γ	Γ	Г		Г	Т		П				П		Τ	П	Г		80	0	0	0	00	21
22									П			Т					Γ	Γ	Γ			T	Τ	П				П		T		Г		22					
23	75	4	8	3	00	78	2	3	0	00		Τ					Γ	Г	Γ		Γ	T	Т	П			П	П		Τ						П	T		23
24		П					П				30	6	8	9	00	34	4	9	9	00		T	T	П			П			Τ					Γ	П			24
25												Τ					T	T	Г	Г	T	T	T	П			П	$\sqcap$		T	Г	Г				П			25
26		П				25	8	6	3	00		T	Г				Τ	T	Г		Т	T	Τ	П			Т	П		Τ	Г	Г			Γ	П	T		26
27	1	5	0	0	00				П			T	Г					T	Τ	Г	T	T	T	П				П		T	Г	Г			Τ	П			27
28																20	4	2	0	00				П			П	П		T		Г			T	П			28
29												1	8	5	00	_	T	T				T		П			П			T		Γ			T	П		_	29
30	12	4	0	0	00													T	T			$\top$		П			П	П		T		Г			T	П			30
31							5	7	3	00		T					T		T			$\uparrow$	T	П			П			T					T	П			31
32									П			5 0	1	5	00		T		T			T	T	П			Ħ								T	П			32
33									П			Ť	Γ				5	0	9	00			T	П				П		T	Г	Г			T	П			33
34		6	0	0	00				П								Ť	Ť	Ť				1	П			$\top$			T					T	П			34
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Valleyfield Worksheet

For Month Ended

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		ACCOUNT																					
	ACCOUNT TITLE	NUMBER		DE	BI	T			CR	ED	IT		(i)	DE	_			-	CRE	DI	<u>T</u>	_	<u> </u>
36	Insurance Expense - Jewellery	6021		Ц	Ц				L	Ц	4		(1)	3	9	0	00		Ц	4	4	_	36
37	Layroll Faxes Expense - Jewellery	6031		_	_	_	00	_	L	Ц	_			Ц	Ц	Ц			Ц	4	4	_	37
38	Salary Expense - Jewellery	6041	3	4	0	0	00	_	L	Ц	4		(6)	Ц	Ц				Ц	$\downarrow$	4	_	38
39	Security Expense - Jewellery	6051		Ц		Ц			L	Ц	_		(f)	4	_	_	00		Ц	_	$\perp$		39
40	Store Supplies Expense - Jewellery	6061		Ц	Ц	Ц			L	Ц	$\perp$		(h)	L			00	_	Ц	1	$\perp$		40
41		6101		Ц		Ц			L	Ц			(e)				00		Ц	_	1		41
42	Depreciation Expense - Store Equip China	6111		Ц				<u>L</u>	L	Ц			(d)				00		Ц	$\perp$	$\perp$		42
43	Insurance Expense - China	6121		Ц	Ц	Ц			L	Ц			(i)	1	9	5	00		Ц	1	$\perp$		43
44	Layroll Taxes Expense - China	6131		4	9	2	00		L	Ц				Ш	L	L			Ц		$\perp$		44
45	Salary Expense - China	6141	8	2	0	0	00		L	Ц									Ш		$\perp$		45
46	Security Expense - China	6151				Ц			L	Ц			(f)				00		Ц		$\perp$		46
47	Store Supplies Expense - China	6161							L				(h)	2	8	4	00						47
48	Advertising Expense	6501	1	2	0	0	00		L									(e) <sub>1</sub>	2	0	0	00	48
49	Bad Debts Expense	6511											(a)		5	0	00						49
50	Depreciaton Expense - Office Equipment	6521											(b)		5	7	00				T		50
51	Insurance Expense - Administrative	6531							Г				(i)		6	5	00				T		51
52	Interest Expense	6541		3	0	2	00		Γ										П	Т	T		52
53	Miscellaneous Expense	6551		3	1	5	00		Γ												T		53
54	Layroll Faxes Expense - Administrative	6561		1	1	0	00																54
55	Rent Expense	6571	2	0	0	0	00																55
56	Salary Expense - Administrative	6581	1	8	5	0	00		L														56
57	Security Expense	6591		5	0	0	00											(f)	5	0	0	00	57
58	Office Supplies Expense	6601							L				(g)	1	4	3	00		Ш		$\perp$		58
59	Utilities Expense	6611		2	8	0	00												Ш				59
60			191	8	2	4	00	191	8	2	4	00		L		L			Ц				60
61	Departmental Margin - Jewellery														L				Ц		$\perp$		61
62	Departmental Margin - China (Loss)								L	Ш					L				Ш		$\perp$		62
63						Ш																	63
64	Corporate Income Taxo	9101											<sup>(n)</sup> 1	5	2	1	00						64
65																		223	7	4	6	00	65
66	Net Income After Corporate Income Tax													Г							Ŧ		66
67																			П				67
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Jewellers Ltd.

(continued)

July 31, 19xx

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39					00				Ц			1	L	L	_		1	1	1	1			╀	L	L		#	1	1	$\perp$		L	4	4	4	4		_	L	$\perp$	Ц		39
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41								Ц	Ц						00		1	1	1	1	_		L	L	L		1	1	$\perp$	$\perp$	_	L	4	4	4	4			$\perp$	$\perp$	Ц		41
42									Ц			-	_	_	00	_	1	1	1	1			L	L	L		1	1	1	$\perp$		L	4	4	4	4			l	$\perp$	Ц		42
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57												T	Τ	T			T	T	T	T			T	Τ	Τ			T	T										T	T	П		57
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63	104	6	6	6	00	104	6	6	6	00	5:	5 9	1	1 8	00	5	_	-	_				Ť	Ť	Ť		1	1	1	1	Г			1	1				T	T	П		63
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65		Τ							П			1	1	T			1	1	1	1							1	ol	010	7	00	14	19	2	8	0	00	146	, 4	1 5	6	00	65
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67				П								1	T	T	T		1	1	1	1			_	-	_	-	1	0	0 0	7	00	14	19	2	8	0	00	_	-	_	+	_	_
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69		T	Г				T					1	Ť	+	T		1	1	1	1			1	1	1	T		1	$\dagger$	1			1	7	1	7		-	T	+	Н		69
70		T					T					1	T	+	$\vdash$		1	1	†	†			+	t	1	1	1	1	$\dagger$	1		1		1	1				$\dagger$	+	Ħ		70
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Instruction 3: Prepare the departmental margin statement for the Jewellery Department. Calculate the percentage of net sales for each amount.

Valleyfield Jewellers Ltd. Departmental Margin Statement - Jewellery For Month Ended July 31, 19xx

% of

Revenue	╫╼┥	+	╁	-	├	$\vdash$	Н	+	$\dashv$		Н	Н	$\dashv$		
Sales	+	+	╀		1	Т-Т	-	-r	00		Ц	Ц	4		106.16
Less: Sales Returns and Allowances		4	L		1	5	0	0	00		L	Ц		$\Box$	6.16
Net Sales		$\perp$	L		_	L	Ц	$\perp$		_24	3	6	3	00	100.00
Cost of Goods Sold		$\perp$	L			L	Ц	┙			$oxed{oxed}$	Ц			
Merchandise Inventory, July 1, 19xx			L		75	4	8	3	00			Ц			309.83
Lurchases	12	40	0	00			Ц	$\perp$				Ц			50.90
Less: Lurchases Returns and Allowances		5 7	3	00		L	Ц	$\perp$			L	Ц			2.35
Net Lurchases		$\perp$	L		11	8	2	7	00		L	Ц			48.54
Total Cost of Goods Available for Sale			L		87	3	1	0	00		L	Ц			358.37
Less: Merchandise Inventory, July 31, 19xx					78	2	3	0	00		L	Ц			321.10
Cost of Goods Sold						L	Ц	$\perp$		9	0	8	0	00	37.27
Gross Grofit		$\perp$					Ц			15	2	8	3	00	62.73
Direct Departmental Expenses		$\perp$	L				Ш	1			L	Ш			
Advertising Expense		$\perp$	L			6	0	0	00		L	Ц			2.46
Depreciation Expense - Store Equipment		$\perp$				2	1	1	00	L	L	Ц			0.87
Insurance Expense						3	9	0	00		L	Ц			1.60
Layroll Faxes Expense		$\perp$				2	0	4	00		L	Ц			0.84
Salary Expense		$\perp$	$\perp$		3	4	0	0	00		L	Ш			13.96
Security Expense			L			4	0	0	00		L				1.64
Store Supplies Expense							7	1	00		L	Ш			0.29
Total Direct Departmental Expenses			L							5	2	7	6	00	21.66
Departmental Margin								$\prod$			1	П		00	41.07

<sup>\*</sup> each item rounded to the nearest 0.01%



**Instruction 4:** Prepare the departmental margin statement for the China Department. Calculate the percentage of net sales for each amount.

Valleyfield Jewellers Ltd.	
Departmental Margin Statement - China	
For Month Ended July 31, 19xx	

Revenue	$\bot$	Н	$\perp$		1	Ц	Ц	4			L	Ц	4	$\perp$	
Sales		Щ	┸		20	4	2	0	00			Ц	_		100.91
Less: Sales Returns and Allowances		Щ	1			1	8	5	00			Ц			0.91
Net Sales		Щ	┸			L	Ц	4		20	2	3	5	00	100.00
Cost of Goods Sold		Щ	L				Ц	Ц			Ш	Ц	_		
Merchandise Inventory, July 1, 19xx		Ц	1		30	6	8	9	00			Ц			151.66
Lurchases	15	0	1 5	00		L	Ц	Ц				Ц			74.20
Less: Lurchases Returns and Allowances		5 0	9	00	_	L	Ц	Ц	$\perp$			Ц		_	2.52
Net Lurchases		Ш	1		14	5	0	6	00			Ц			71.69
Total Cost of Goods Available for Sale		Ц	L		45	1	9	5	00			Ц			223.35
Less: Merchandise Inventory, July 31, 19xx		Ш	$\perp$		34	4	9	9	00			Ц			170.49
Cost of Goods Sold		Ц	$\perp$			L	Ц	Ц		10	6	9	6	00	52.86
Gross Profit		Ш	$\perp$			L	Ц			9	5	3	9	00	47.14
Direct Departmental Expenses		Ц				L	Ц	Ц			L	Ц			
Advertising Expense		Ц	$\perp$			6	0	0	00		L	Ц			2.97
Depreciation Expense - Store Equipment		Ш				1	5	8	00			Ц			0.78
Insurance Expense		Ц				1	9	5	00		L	Ц			0.96
Payroll Faxes Expense		Ш	$\perp$			4	9	2	00		L	Ц			2.43
Salary Expense		Ц	╀		8	2	0	0	00		L	Ц			40.52
Security Expense		Ц	┸			1	0	0	00			Ц			0.49
Store Supplies Expense		Ш	┸			2	8	4	00		L	Ц			1.40
Fotal Direct Departmental Expenses		Ц								10	0	2	9	00	49.56
Departmental Margin (Loss)										(	4	9	0	00)	2.42

<sup>\*</sup> each item rounded to nearest 0.01%

(4)

Instruction 5: Prepare the income statement for the business. Calculate the percentage of net sales for each amount.

Palleyfield Jewellers Ltd.	
Income Statement	
For Month Ended July 31, 19xx	
 5 or Spouri Gratea July 31, 1711	

% of

Net Sales		-	Н	4	_		H	H	-		
Jewellery Department					00		-	-	1		54.63
China Department	20	2	3	5	00	_	L	L	L		45.37
Total Net Sales		L	Ц		_	44	5	2	8	00	100.00
Cost of Goods Sold		L	Ц		_		L	L	L		
Jewellery Department					00	<u> </u>	L	L	L		20.36
China Department	10	6	9	6	00		L	┖	L		23.98
Total Cost of Goods Sold		L	Ц	_		19	7	Z	6	00	44.34
Gross Drofit		L	Ц			_	L	L	L		
Jewellery Department	15	2	8	3	00	<u> </u>	L	L	L		34.27
China Department	9	5	3	9	00		L	L	L		21.39
Total Gross Profit		1	Ц			24	8	2	2	00	55.66
Direct Departmental Expenses		L	Ц					L	L		
Jewellery Department					00		L	L		Ш	11.83
China Department	10	0	2	9	00		L	L	L	Ш	22.49
Total Direct Departmental Expenses		L	Ц			15	3	0	2	00	34.32
Departmental Margin		L	Ц				L	L	L		
Jewellery Department	10	0	0	7	00		L	L	L		22.44
China Department (Loss)	(	4	9	0	00)		L	L			1.10
Total Departmental Margin		L	Ш			9	5	1	1	00	21.34
Indirect Expenses		L	Ц				L	L	L		
Bad Debts Expense		L	5	0	00		L		L		0.11
Depreciation Expense - Office Equipment			5	7	00		L	L	L		0.13
Insurance Expense		L	6	5	00		L	L	L		0.15
Interest Expense		3	0	2	00		L	L	L	Ш	0.68
Miscellaneous Expense					00		L	L	L		0.71
Layroll Faxes Expense					00		L	L	L	1_1	0.25
Rent Expense					00		L	L	1		4.48
Salary Expense	1				00		L	L	1		4.15
Office Supplies Expense					00	_	L	L	L		0.32
Utilities Expense		2	8	0	00		L	L	L		0.63
Total Indirect Expenses			Ц							00	11.60
Net Income Before Corporate Income Tax			Ц			4	3	4	4	00	9.74
Less: Corporate Income Tax						1	5	2	1	00	3.41
Net Income Mer Corporate Income Faxo						2	8	2	1	00	6.33

<sup>\*</sup> each item rounded to nearest 0.01%



# **Instruction 6:** Record the adjusting entries starting on page 56 of the general journal.

# **GENERAL JOURNAL**

PAGE 56

	DATE		ACCOUNT TITLE	POST. REF.		DEE	BIT	s		С	REI	דוכ	s	
1			Adjusting Entries				I	I			$oldsymbol{\mathbb{I}}$	$oxed{I}$		1
2	July 19xx	31	Bad Debts Expense				5	o	00			m I		2
3			Allowance for Doubtful Accounts									5 (	00	3
4		31	Depreciation Expense - Office Equipment				5	z	00			$\perp$		4
5			Accumulated Depreciation - Office Equipment			Ц	$\perp$	1			$\perp$	5	7 00	5
6		31	Depreciation Expense - Store Equipment - Jewellery			2	1	1	00			1		6
7			Accumulated Depreciation - Store Equip Jewellery				$\perp$	1			2	<u>1</u>	1 00	7
8		31	Depreciation Expense - Store Equipment - China			1	5	8	00			$\perp$		8
9			Accumulated Depreciation - Store Equipment - China								1	5 8	3 00	9
10		31	Advertising Expense - Jewellery			6	0	o	00			$\perp$		10
11			Advertising Expense - China			6	o	o	00			$\perp$		11
12			Advertising Expense					1		1	2	o c	00	12
13		31	Security Expense - Jewellery			4	0	o	00			$\perp$		13
14			Security Expense - China			1	0	0	00			$\perp$		14
15			Security Expense				1	1			5	00	00	15
16		31	Office Supplies Expense			1	4	3	00		$\perp$	$\perp$		16
17			Office Supplies			Ц	_	┙			1	4:	3 00	17
18		31	Store Supplies Expense - Jewellery			Ц	z	1	00		$\perp$	$\perp$		18
19			Store Supplies Expense - China			2	8	4	00			$\perp$		19
20			Store Supplies			Ц		1			3	5 !	5 00	20
21		31	Insurance Expense - Administrative				6	5	00			$\perp$		21
22			Insurance Expense - Jewellery			3	9	o	00					22
23			Insurance Expense - China			1	9	5	00					23
24			Grepaid Insurance			Ц		1			6	5 (	00	24
25		31	Income Summary - Jewellery		75	4	8	3	00		$\perp$	$\perp$		25
26			Merchandise Inventory - Jewellery			Ц				75	4	8	3 00	26
27		31	Merchandise Inventory - Jewellery		78	2	3	0	00			$\perp$		27
28			Income Summary - Jewellery			Ц				78	2	3 (	00	28
29		31	Income Summary - China		30	6	8	9	00					29
30			Merchandise Inventory - China							30	6	8	9 00	30
31		31	Merchandise Inventory - China		34	4	9	9	00					31
32			Income Summary - China							34	4	9	9 00	32
33		31	Corporate Income Taxo		1	5	2	1	00			$\prod$		33
34			Corporate Income Tax Layable				T	1		1	5	2	1 00	34



Instruction 7: Record the closing entries for the departmental margin statements and the income statement in the general journal. Include the entry to close Net Income After Corporate Income Tax to Retained Earnings.

## **GENERAL JOURNAL**

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	DATE		ACCOUNT TITLE	POST. REF.		DE	BIT	rs		С	RE	DIT	s	
1			Closing Entries											1
2	July .	31	Sales - Jewellery		25	8	6	3	00					2
3			Lurchases Returns and Allowances - Jewellery			5	7	3	00					3
4			Income Summary - Jewellery							26	4	3	6 00	4
5		31	Income Summary - Jewellery		19	1	7	6	00		Ц	$\perp$		5
6			Sales Returns and Allowances - Jewellery							1	5	0	0 00	6
7			Lurchases - Jewellery				Ц			12	4	0	0 00	7
8		$\perp$	Advertising Expense - Jewellery			L	Ц						0 00	
9		$\perp$	Depreciation Expense - Store Equipment - Jewellery			L		L					1 00	
10		_	Insurance Expense - Jewellery			L		Ш	Ш	_			0 00	
11		$\perp$	Layroll Taxes Expense - Jewellery			L							4 00	
12			Salary Expense - Jewellery				Ц	Ц		3			0 00	
13		_	Security Expense - Jewellery			L	Ц	L		_	4		0 00	
14		_	Store Supplies Expense - Jewellery			L	Ц				Ц	Z	1 00	14
15		31	Income Summary - Jewellery		10	0	0	7	00		Ц	$\perp$	$\perp$	15
16			Income Summary - General			L				10	0	0	7 <u>oc</u>	16
17		31	Sales - China		20	4	2	0	00		Ц	Ц		17
18		_	Lurchases Returns and Allowances - China		<u> </u>	5	0	9	00		Ц	$\sqcup$	$\bot$	18
19		_	Income Summary - China		<u> </u>	L		L			9	2	9 00	
20		31	Income Summary - China	<u> </u>	25	2	2	9	00		Ц	Ц	$\perp$	20
21		_	Sales Returns and Allowances - China			L		L			1	8	5 00	21
22		_	Lurchases - China	ļ		L		L		15				22
23		$\perp$	Advertising Expense - China			L	L	L	L.	<u> </u>			0 00	
24		_	Depreciation Expense - Store Equipment - China		_	L		L			1	5	8 00	24
25		$\perp$	Insurance Expense - China			L	L	L			1	9	5 00	25
26		_	Layroll Faxes Expense - China		<u></u>	L		L					2 00	
27			Salary Expense - China	<u> </u>		L		L		8	2	0	0 00	27
28			Security Expense - China					L			1	0	0 00	28
29			Store Supplies Expense - China			L		L			2	8	4 00	29
30		31	Income Summary - General			4	9	0	00		Ш	Ц		30
31			Income Summary - China			L	L	L			4	9	0 00	31
32		31	Net Income After Corporate Income Tax		2	8	2	4	00		Ш	Ц		32
33			Retained Earnings			L	L	L		2	8	2	4 00	33
34			<u> </u>											34

Section 1: Total Marks 50

# Section 2: Manufacturing Business

The basic goals of this section are to ensure that students

- · can describe the three manufacturing costs: direct materials, direct labour, and factory overhead
- · understand the flow of costs through the three inventory accounts
- · are able to prepare a cost sheet for job ordering
- are able to prepare a materials requisition for direct materials

#### **Possible Activities**

- Discuss and flowchart the flow of costs through the three inventory accounts.
- · Drill students on mathematical calculations.
- Plan a field trip to a manufacturing business to see the various departments in action.
- With the use of an overhead projector, analyse the statement of cost of goods manufactured.

# Section 2 Activity 1

1.	salary of a cost accountant	FO
2.	wages of a sewing machine operator	DL
3.	wages of a factory foreman	FO
4.	dividends paid by the company	N
5.	advertising expenses	N
6.	wood used in making a dresser	DM
7.	glue used in making a dresser	FO
8.	fancy drawer pulls used in making a dresser	DM
9.	fire insurance on the factory building	FO
10.	fire insurance on the head office	N

#### Section 2 Activity 2

Record the transactions on the following materials ledger card. Whenever the balances reach the minimum, make an entry in the Order column to bring the quantity back to maximum. Number the purchase orders consecutively, starting with Purchase Order No. 3061. This paint is sold only in lots of 10 cans per carton.

- Oct. 3. Issued 25 cans. Materials Requisition No. 497.
  - 6. Issued 12 cans. Materials Requisition No. 509.
  - 7. Received 300 cans ordered on September 23, on PO 3060.
  - 7. Received a letter from the supplier. There will be a price increase effective September 15. The new price is \$22.42 per five-litre can.
  - 10. Issued 30 cans. Materials Requisition No. 524.
  - 17. Issued 40 cans. Materials Requisition No. 561.
  - 22. Issued 45 cans. Materials Requisition No. 587.
  - 27. Issued 55 cans. Materials Requisition No. 638.
  - 29. Issued 70 cans. Materials Requisition No. 661.

			<u> </u>	2.50	3.75	1.75	1.75	1.25	7.50	811.30	2.96	5.36	3.56	99.6	5.56	7.16			
			Value	3 202.50	2 668.75	2 241.75	2 241.75	1 601.25	1 067.50		7 577.96	6 905.36	6 008.56	4 999.66	3 766.56	2 197.16			
	100	BALANCE	Price Price	21.35	21.35	21.35	21.35	21.35	21.35	21.35	22.42	22.42	22.42	22.42	22.42	22.42			
(3	mnc	BAL	Quantity	150	125	105	105	75	50	38	338	308	268	223	168	88			
(5 L can	Minimum		Date	19xx Sepe. 15	19	23	23	28	Oct. 3	9	7	10	17	22	27	29			
Corplic			Value		533.75	427.00		640.50	533.75	256.20		672.60	896.80	008.00	233.10	1 569.40			
Paint - Flat Black Acrylic (51. cans)	400		Unit		21.35	21.35		21.35	21.35	21.35		22.42	22.42	22.42 1 008.90	22.42 1 233.10	22.42			
- Flat	Maximum	ISSUED	Quantity		25	20		30	25	12		30	40	45	55	22			
Paint	Σ		Requisition Number		385	409		451	497	509		524	561	587	638	199			
ARTICLE			Date		19xx Sebe. 19	23		28	Oce. 3	9		10	17	22	27	29			
AR			Value								6 726.00								
		0	Unit Price								22.42								
		RECEIVED	Quantity								300								
		<u> </u>	Purchase Order Number								3060								
			Date								19xx Oct. 7								
	G-75		Quantity				300										300		
P113		ORDER	Purchase Order Number				3060										3061		
NO.	Location		Date				19xx Sept. 23										Oct. 29		

# Section 2 Activity 3

- Complete a job cost sheet for Job No. 3817, including unit cost. The order is for 100 Christmas
  Gift Baskets for stock. The order is started on September 11 and is to be completed by
  September 20. It is completed on September 20. Record the following items:
  - Sept. 11. Requisition No. 833, \$381.00
    - 12. Time Ticket No. 0912-4, \$12.50
    - 13. Requisition No. 838, \$1 389.00 Time Ticket No. 0913-4, \$46.00 Time Ticket No. 0913-5, \$46.00
    - 14. Requisition No. 845, \$425.00 Time Ticket No. 0914-4, \$46.00 Time Ticket No. 0914-5, \$46.00
    - 17. Requisition No. 851, \$669.00 Time Ticket No. 0917-4, \$46.00
    - 20. Time Ticket No. 0920-4, \$25.00

Factory Overhead is to be charged at 110% of Direct Labour costs.

Job Nur	mber <u>3817</u>		СО	ST SHE	ET		
Item	Christmas Gift B	asket		Dat	e Started	September 11, 19xx	
Number	of Items	)		Dat	e Wanted	September 20, 19xx	
Ordered	for <u>Stock</u>			Dat	e Complet	red <u>September 20, 19xx</u>	
	DIRECT MATERIALS	5		DIRECT LABOUR		SUMMARY	
Requisition Number	Date	Amount	Time Ticket Number	Date	Amount	Item	Amount
833	Sept. 11, 19xx	381.00	0912 - 4	Sept. 12, 19xx	12.50	Direct Materials	2 864.00
838	Sept. 13, 19xx	1 389.00	0913 - 4	Sept. 13, 19xx	46.00	Direct Labour	267.50
845	Sept. 14, 19xx	425.00	0913 - 5		46.00	Factory Overhead	
851	Sept. 17, 19xx	669.00	0914 - 4	Sept. 14, 19xx	46.00	(110% of Direct Labour)	294.25
		2 864.00	0915 - 5		46.00	Total Cost	3 425.75
			0917 - 4	Sept. 17, 19xx	46.00	No. of Units Completed	100
			0920 - 4	Sept. 20, 19xx	25.00	Unit Gost	34.26
					267.50		

2. Calculate the cost of the Work in Process inventory for the following job orders. All Factory Overhead is to be charged at the rate of 60% of Direct Labour.

Job Order	Direct Materials	Direct Labour	Factory Overhead	Cost of Inventory
3488	\$ 2 051.47	\$1 349.50	\$ 809.70	\$ 4 210.67
3489	10 367.00	619.00	371.40	11 357.40
3490	1 334.10	2 782.75	1 669.65	5 786.50
		Work In Proc	ess Inventory	21 354.57

# Section 2 Activity 4

- 1. Record the following entries on March 17, 19xx. Use page 87 of a general journal.
  - March 17. Direct materials purchased, \$1 847.75. Cheque No. 2085.
    - 17. Direct materials issued, \$340.05. Requisition No. 418.

#### GENERAL JOURNAL

PAGE 87

	DATE		ACCOUNT TITLE	POST. REF.	DEBITS			CREDITS							
1	Mar. 19xx	17	Direct Materials		1	8	4	7	75						1
2			Gash							1	8	4	7	75	2
3			Cheque No. 2085												3
4		17	Work in Lrocess			3	4	0	05		L				4
5			Direct Materials								3	4	0	05	5
6			Requisition No. 418												6
7			,												7
8						1					Γ	П			8

2. Record the factory payroll for the week ending August 1, 19xx, on page 46 of a general journal.

The payroll register contains the following information:

Direct Labour, \$7 348.01 Indirect Labour, \$2 418.18 Employees Income Tax Payable, \$1 295.70 Canada Pension Payable, \$209.08 Unemployment Insurance Payable, \$155.47

## **GENERAL JOURNAL**

PAGE 46

	DATE	ACCOUNT TITLE	POST. REF.	DEBITS			C					
1	$\int_{uq}^{19xx} 1$	Work in Lrocess		7	3	4	8 01					1
2		Factory Overhead		2	4	1	8 18					2
3		Wages Layable						8	1	0	5 94	3
4		Employees Income Tax Layable						1	2	9	5 70	4
5		Canada Lension Llan Layable				Ц			2	0	9 08	5_
6		Unemployment Insurance Layable				Ц			1	5	5 47	6
7		August 1 Factory Layroll			L	Ц			Ц	$\perp$		7
8						Ц			Ш			8

3. Prepare the journal entries to charge the actual expenses to Factory Overhead and to calculate and apply Factory Overhead to Work in Process. Record the entries as of April 30, 19xx, on page 128 of a general journal. If there is a difference, close the Factory Overhead account. Number the source documents Memo No. 472, Memo No. 473, and Memo No. 474.

#### **Actual Expenses**

Depreciation Expense – Factory Building, \$358.00 Depreciation Expense – Factory Equipment, \$823.40 Maintenance Expense – Factory, \$2 816.60 Miscellaneous Expense – Factory, \$1 128.30 Payroll Taxes Expense – Factory, \$992.90 Supplies Expense – Factory, \$2 478.10

Overhead is applied at the rate of 115% of Direct Labour. Direct Labour is \$7 319.78.

#### GENERAL JOURNAL

**PAGE 128** 

	DATE	ACCOUNT TITLE	POST. REF.		DEI	317	s		С	RE	DIT	s	
1	Apr. 30	Factory Overhead		8	5	9	7 3	30					1
2		Depreciation Expense - Factory Building								3	5	3 00	2
3		Depreciation Expense - Factory Equipment								8	2	3 40	3
4		Maintenance Expense - Factory			Ш				2	8	1	5 60	4
5		Miscellaneous Expense - Factory							1	1	2	30	5_
6		Layroll Faxes Expense - Factory								9	9	2 90	6
7		Supplies Expense - Factory							2	4	7	3 10	7
8		Memo-No. 472											8
9	30	Work in Lrocess		8	4	1	7	75					9
10		Factory Overhead							8	4	1	7 75	10
11		Memo- No. 473											11
12	30	Income Summary			1	7	9	55					12
13		Factory Overhead								1	7	9 55	13
14		Memo No. 474											14
15					П	T	T				T		15

4. Record the adjusting entries for the following inventories on page 73 of a general journal. The date is March 31, 19xx.

#### **Direct Materials**

Book balance – \$4 298.48 Physical inventory – \$3 833.85 Memo No. 64

#### **Work in Process**

Book balance – \$6 526.40 Physical inventory – \$6 934.50 Memo No. 65

#### **Finished Goods**

Book balance – \$10 237.55 Physical inventory – \$9 989.65 Memo No. 66

#### **GENERAL JOURNAL**

PAGE 73

	DATE		ACCOUNT TITLE	POST. REF.	0	EE	ΙT	s		С	RE	DIT	s	
1	Mar. 19xx	31	Income Summary			4	6	4	63					1
2			Direct Materials								4	6	1 63	2
3			Memo No. 64											3
4		31	Work in Lrocess			4	o	8	10					4
5			Income Summary				I				4	0	3 10	5
6			Memo No. 65											6
7		31	Income Summary			2	4	7	90					7
8			Finished Goods								2	4	7 90	8
9			Memo No. 66											9
10														10

### **Section 2 Activity 5**

1. Complete the statement of cost of goods manufactured for Royal Oak Furniture Ltd. for the month ended April 30, 19xx.

#### **Direct Materials**

The inventory on April 1 was \$21 349.00 and \$28 925.00 on April 30. Purchases during the month were \$58 462.00.

Direct Labour \$34 718.00

Factory Overhead Applied \$29 510.00

#### **Work in Process**

Inventory on April 1 was \$52 019.00 and \$45 507.00 on April 30.

Royal Oak Furniture Ltd.

Direct Materials		Ц	$\perp$	$\perp$						
Materials Inventory, April 1, 19xx	21	3	4	90	00		Ш			L
Add: Materials Lurchased	58	4	6	2 0	0		Ш			L
Total Materials Available	79	8	1	10	00		Ш			L
Less: Materials Inventory, April 30, 19xx	28	9	2	5 0	00		Ш			
Cost of Direct Materials Llaced in Lrocess		Ц	$\perp$			50	8	8	6	0
Direct Labour		Ц		$\perp$		34	7	1	8	1
Factory Overhead Applied		Ц		$\perp$		29	5	1	0	1
Total Cost of Work Placed in Process		Ц		$\perp$		115	1	1	4	(
Add: Work in Grocess Inventory, April 1, 19xx		Ц		$\perp$		52	0	1	9	(
Total Cost of Work in Process		Ц		$\perp$	$\perp$	167	1	3	3	1
Less: Work in Process Inventory, April 30, 19xx		Ц		$\perp$		45	5	0	7	1
Cost of Goods Manufactured		Ш				121	6	2	6	1

2. Prepare the statement of cost of goods manufactured for Royal Oak Furniture Ltd. for the month ended May 31, 19xx.

#### **Direct Materials**

The inventory on May 1 was \$28 925.00 and \$20 552.00 on May 31. Purchases during the month were \$70 002.00.

### Direct Labour

\$39 479.00

### **Factory Overhead Applied**

\$33 557.00

#### Work in Process

Inventory on May 1 was \$45 507.00 and \$48 448.00 on May 31.

The amount for Cost of Goods Manufactured is used in preparing the income statement for a manufacturing business.

ctured							_	
		_						
			I			$\prod$	Ī	Ī
28	9	2	5	00				$\perp$
70	0	0	2	00		Ц	$\perp$	$\perp$
98	9	2	7	00		Ц	$\perp$	$\perp$
20	5	5	2	00		Ш		
					78	3	7	5
					39	4	7	9
					33	5	5	7
					151	4	1	1
					45	5	0	7
					196	9	1	8
					48	4	4	8
					148	4	7	0
	28 70 98	28 9 70 0 98 9	28 9 2 70 0 0 98 9 2	28 9 2 5 70 0 0 2 98 9 2 7	28 9 2 5 00 70 0 0 2 00 98 9 2 7 00 20 5 5 2 00	28 9 2 5 00 70 0 0 2 00 98 9 2 7 00 20 5 5 2 00 78 39 33 33 33 34 35 45 45 48	28 9 2 5 00	28 9 2 5 00 70 0 0 2 00 98 9 2 7 00

#### Section 2 Activity 6

1. Complete the income statement for Royal Oak Furniture Ltd. for the month ended April 30, 19xx.

#### Sales

\$152 672.00 less \$148.00 discount

#### Finished Goods Inventories

\$46 405.00 on April 1 \$49 115.00 on April 30

#### Cost of Goods Manufactured

\$121 626.00

#### **Factory Overhead**

\$29 510.00 applied \$28 992.00 actual

#### **Selling Expenses**

Advertising Expense, \$2 000.00 Delivery Expense, \$2 500.00 Depreciation Expense – Store Fixtures, \$480.00 Miscellaneous Expense – Sales, \$429.00 Salary Expense – Sales, \$10 500.00

#### **Administrative Expenses**

Bad Debts Expense, \$250.00 Depreciation Expense – Office Equipment, \$320.00 Insurance Expense – Office, \$150.00 Miscellaneous Expense – Administrative, \$672.00 Salary Expense – Administrative, \$18 000.00 Supplies Expense – Office, \$293.00

#### Other Expenses

Loss on Sale of Fixed Assets, \$3 469.00

## Royal Oak Furniture Ltd.

### Income Statement

### For Month Ended April 30, 19xxx

Revenue from Sales		Ļ	Ц				L	L	L	L.		L	Ц	1	_
Sales		L	Ш			152	6	7	2	00			Ц	$\perp$	
Less: Sales Discount		L	L				1	4	8	00		L	Ц		
Net Sales		L	L				L	L			152	5	2	4 (	<u>00</u>
Cost of Goods Sold		L	L				L	L	L			L	Ш		
Finished Goods Inventory, April 1, 19xx		L	L	L		46	4	0	5	00		L	Ц	$\perp$	
Add: Cost of Goods Manufactured (Schedule A)		L	$\perp$							00		L	Ц	$\perp$	
Total Cost of Finished Goods Available for Sale	_	L	Ц							00		L	Ц	$\perp$	
Less: Finished Goods Inventory, April 30, 19xx		L				49	1	1	5	00		L	Ц	$\perp$	
Cost of Goods Sold		L				118	9	1	6	00		L	Ц	$\perp$	
Less: Overapplied Overhead		L	L				5	1	8	00		L	Ц	$\perp$	
Net Cost of Goods Sold		L	L	L			L	L	L	_	118				
Gross Grofit on Operations			L				L	L	L	L	34	1	2	6	00
Operating Expenses		L	L	L		<u>L</u>	L	L	L	L_		L	Ц	$\perp$	
Selling Expenses		L	L	L			L	L	L			L	Ц	$\perp$	
Advertising Expense	2	0	0	0	00		L	L	L			L	Ц	$\perp$	
Delivery Expense	2	5	0	0	00		L	L	L			L	Ц	$\perp$	
Depreciation Expense - Store Fixtures		4	8	0	00		L	L	L	L		L	Ц		
Miscellaneous Expense - Sales		4	2	9	00		L	L	L			L	Ц	$\perp$	
Salary Expense - Sales	10	15	0	0	00		L	L	L	<u> </u>		L	Ц	$\perp$	
Total Selling Expenses	_	L	L	L		15	9	0	9	00	_	L	Ц	_	
Administrative Expenses		ļ	L	L	<u> </u>		L	L	L	$ldsymbol{f eta}$		L	Ц	$\perp$	
Bad Debts Expense		_	_	_	00		L	L	L	_	_	L	Ц	4	
Depreciation Expense - Office Equipment		3	2	0	00		L	L	L	_	<u> </u>	L	Ц	$\perp$	_
Insurance Expense - Office					00		L	L	L	_	_		Ц	$\perp$	
Miscellaneous Expense - Administrative		6	Z	2	00		L	L	L		<u> </u>	L	Ц	$\perp$	_
Salary Expense - Administrative	18	0	0	0	00		L	L	L			L	Ц	1	
Supplies Expense - Office		2	9	3	00		L	L	L			L	Ц		
Total Administrative Expenses			L	L		19	6	8	5	00		L	Ц		
Total Operating Expenses		L	L	L	L		L	L	L					4	
Net Loss from Operations		$\downarrow$	L	L	_		L	L	L		(1	4	6	8	00
Other Expenses		L	L	L			L	L	L			L	Ц	1	
Loss on Sale of Fixed Assets		L	L	L			L	L	L					9	
Net Loss											( 4	9	3	7	00

2. Prepare the income statement for Royal Oak Furniture Ltd. for the month ended May 31, 19xx.

#### Sales

\$223 071.00 less \$219.00 discount

#### **Finished Goods Inventories**

\$49 115.00 on May 1 \$48 532.00 on May 31

### **Cost of Goods Manufactured**

\$148 470.00

#### **Factory Overhead**

\$33 557.00 applied \$33 613.00 actual

#### **Selling Expenses**

Advertising Expense, \$2 500.00 Delivery Expense, \$2 500.00 Depreciation Expense – Store Fixtures, \$480.00 Miscellaneous Expense – Sales, \$172.00 Salary Expense – Sales, \$10 850.00

#### **Administrative Expenses**

Bad Debts Expense, \$250.00 Depreciation Expense – Office Equipment, \$320.00 Insurance Expense – Office, \$150.00 Miscellaneous Expense – Administrative, \$1 245.00 Salary Expense – Administrative, \$21 000.00 Supplies Expense – Office, \$281.00

#### Other Revenue

Gain on Sale of Fixed Assets, \$4 318.00

#### Other Expenses

Loss on Sale of Fixed Assets, \$5 750.00

#### **Corporate Income Tax**

estimated at 35% (to the nearest dollar) of Net Income Before Corporate Income Tax

# Royal Oak Furniture Ltd. Income Statement

### For Month Ended May 31, 19xx

Revenue from Sales		╁	Н	$\dashv$				Н	Н			Н	+	+	-
Sales		╀	$\vdash$	Н	-	223						Н	+	+	_
Less: Sales Discount		╀	$\vdash$	Н	$\dashv$		2	1	2	00		Н	+	+	_
Net Sales		╀	Н	$\dashv$	-	-	H	Н	Н	_	222	8	5	<u> 2  0</u>	<u>)(</u>
Cost of Goods Sold		╀	H	Н	_		H	H	Н		-	Н	+	+	_
Finished Goods Inventory, May 1, 19xx		╀	H	Н		49	1	1	5	00	_	Н	+	+	_
Add: Cost of Goods Manufactured (Schedule A)		╀	H	Н		148	4	7	0	00	-	Н	+	+	_
Total Cost of Finished Goods Available for Sale		+	⊢	Н	_	197	5	8	5	00	ļ	Н	4	+	_
Less: Finished Goods Inventory, May 31, 19xx		╀	$\vdash$	Н						00		Н	+	+	_
Cost of Goods Sold		+	L			149	0				ļ	Н	4	+	_
Add: Underapplied Overhead		+	H	Ц			┞	5	6	00	-	Н	4	+	
Net Cost of Goods Sold		4	L	Ц			L	L			149				
Gross Lrofit on Operations		+	L	Ц			L				73	7	4	3 0	2
Operating Expenses		1	L				L	L	L			Ц	4	+	_
Selling Expenses		1	L				L	L	L			Ц	1	1	
Advertising Expense					00		L		L			L	$\perp$	1	
Delivery Expense					00		L	L	L			Ц	_	$\perp$	
Depreciation Expense - Store Fixtures					00		L	L	L			Ц		$\perp$	
Miscellaneous Expense - Sales					00		L	L	L			L	Ц	$\perp$	
Salary Expense - Sales	10	18	5	0	00		L	L	L			L	Ц	$\perp$	
Total Selling Expenses		$\perp$	L			16	5	0	2	00		Ш	Ц	$\perp$	_
Administrative Expenses		1	L					L	L		<u></u>	L	Ц	$\perp$	_
Bad Debts Expense					00		L	L	L			L	Ц		
Depreciation Expense - Office Equipment					00		L	L	L			L	Ц		
Insurance Expense - Office					00			L	L				Ш	$\perp$	
Miscellaneous Expense - Administrative		1 2	4	5	00		L								
Salary Expense - Administrative	2.	1 0	0	0	00										
Supplies Expense - Office		2	8	1	00										Ī
Total Administrative Expenses		T	I			23	2	4	6	00					
Total Operating Expenses		Τ	Γ				Γ		Γ		39	7	4	8 0	0
Net Income from Operations		Ι									33	9	9	5 0	0
Other Revenue			Γ				Г								
Gain on Sale of Fixed Assets		Т	Τ			4	3	1	8	00					
Other Expenses	1	Τ	Τ	Γ			Γ	Γ				Π	П	T	Ī
Loss on Sale of Fixed Assets		T	Т			5	7	5	0	00		Π	П	Т	
Net Deduction		T	Γ					Γ	Γ		1	4	3	20	0
Net Income Before Corporate Income Taxo		T												3 (	
Less: Corporate Income Tax	1	T					Γ				11	3	9	7 0	0
Net Income After Gorporate Income Taxo	1	T					T							6 0	
Jan Charlie Ogus Gorporado Oracomo O da	- F	+	÷	F			Ħ	-	F	-		÷	Ħ	+	≐

#### Section 2 Activity 7

 Complete the Balance Sheet for Royal Oak Furniture Ltd. as of April 30, 19xx. The account balances are listed.

#### Assets

Cash, \$29 455.00

Accounts Receivable, \$39 742.00 less \$1 517.00 for Doubtful Accounts

Direct Materials, \$28 925.00

Work in Process, \$45 507.00

Finished Goods, \$49 115.00

Prepaid Insurance, \$1 500.00

Factory Supplies, \$4 141.00

Office Supplies, \$753.00

Factory Equipment, \$335 000.00 less \$67 008.00 Accumulated Depreciation

Store Fixtures, \$57 600.00 less \$7 680.00 Accumulated Depreciation

Office Equipment, \$38 400.00 less \$5 120.00 Accumulated Depreciation

Factory Building, \$375 000.00 less \$36 640.00 Accumulated Depreciation

#### Liabilities

Demand Bank Loan, \$50 000.00

Accounts Payable, \$15 861.00

Employees Income Tax Payable, \$12 644.00

Canada Pension Plan Payable, \$1 897.00

Unemployment Insurance Payable, \$2 529.00

Corporate Income Tax Payable, \$10 467.00 (Adjustments for this month's loss will be made at year end.)

Mortgage Payable, \$200 000.00

#### Shareholders' Equity

Capital Stock, \$500 000.00

Retained Earnings, \$93 775.00

### Royal Oak Furniture Ad. Balance Sheet April 30, 19xx

Assets		L	$\Box$				L	L	L			Ц		$\perp$	
Gurrent Assets							L							$\prod$	
Gash			Ш			29	4	5	5	00		Ш			
Accounts Receivable	39	7	4	2	00		L							$\perp$	
Less: Allowance for Doubtful Accounts	1	5	1	7	00	38	2	2	5	00		Ш			
Direct Materials						28	9	2	5	00		Ц		Ц	
Work in Lrocess		L				45	5	0	7	00					
Finished Goods		L								00		Ш	╝	$\sqcup$	
Grepaid Insurance						1	5	0	0	00					
Supplies - Factory		L				4	1	4	1	00		Ш			
Supplies - Office							7	5	3	00					
Total Gurrent Assets		L					L				197	6	2	1	00
Fixed Assets							L	L	L			П			
Factory Equipment	335						L	L	L		<u></u>	Ш			
Less: Accumulated Depreciation - Factory Equipment	67	0	0	8	00	267	9	9	2	00					
Store Fixtures	57	6	0	0	00			L	L						
Less: Accumulated Depreciation - Store Fixtures	7	6	8	0	00	49	9	2	0	00		Ш			
Office Equipment					00		L	L	L			Ш			
Less: Accumulated Depreciation - Office Equipment	5	1	2	0	00	33	2	8	0	00		Ц		Ц	
Factory Building	375														
Less: Accumulated Depreciation - Factory Building	36	6	4	0	00	338	3	6	0	00		Ш			
Total Fixed Assets		L					L				689	5	5	2	00
Total Assets							L		L		887	1	7	3	00
Liabilities															
Gurrent Liabilities		L					L	L	L			Ш		Ц	
Demand Bank Loan		L	Ц							00		Ш	$\Box$	Ц	
Accounts Layable		L	Ц			15	8	6	1	00		Ш	Ш	Ц	
Employees Income Tax Layable		L	Ц			12	6	4	4	00		Ц	Ш	Ц	
Ganada Lension Llan Layable		L	Ц			1	8	9	7	00	<u> </u>	Ц		Ц	
Unemployment Insurance Layable		L	Ц							00		Ц	Ш	Ц	
Gorporate Income Tax Layable		L	Ц			10	4	6	7	00		Ц	Ц	Ц	
Fotal Gurrent Liabilities		L	Ц				L	L	L		93	3	9	8	0
Long-Term Liabilities							L		L			Ш		Ш	
Mortgage Layable											200	0	0	0	0
Total Liabilities											293	3	9	8	00
Shareholders' Equity															
Gapital Stock - Common						500	0	0	0	00		$\prod$		$\prod$	
Retained Earnings										00					
Total Shareholders' Equity											593	7	7	5	0
Total Liabilities and Shareholders' Equity	II	1	1 7								887	. [. ]			00

2. Prepare the balance sheet for Royal Oak Furniture Ltd. as of May 31, 19xx. The account balances are listed.

#### Assets

Cash, \$59 796.00

Accounts Receivable, \$49 551.00 less \$1 645.00 for Doubtful Accounts

Direct Materials, \$20 552.00

Work in Process, \$48 448.00

Finished Goods, \$48 532.00

Prepaid Insurance, \$1 350.00

Factory Supplies, \$3 839.00

Office Supplies, \$587.00

Factory Equipment, \$335 000.00 less \$71 196.00 Accumulated Depreciation Store Fixtures, \$57 600.00 less \$8 160.00 Accumulated Depreciation

Office Equipment, \$38 400.00 less \$5 440.00 Accumulated Depreciation

Factory Building, \$375 000.00 less \$38 930.00 Accumulated Depreciation

#### Liabilities

Demand Bank Loan, \$40 000.00 Accounts Payable, \$17 417.00 Employees Income Tax Payable, \$14 120.00 Canada Pension Plan Payable, \$2 118.00 Unemployment Insurance Payable, \$2 824.00 Corporate Income Tax Payable, \$21 864.00 Mortgage Payable, \$200 000.00

#### Shareholders' Equity

Capital Stock, \$500 000.00 Retained Earnings, \$114 941.00

### Royal Oak Furniture Ltd. Balance Sheet

May 31, 19xx

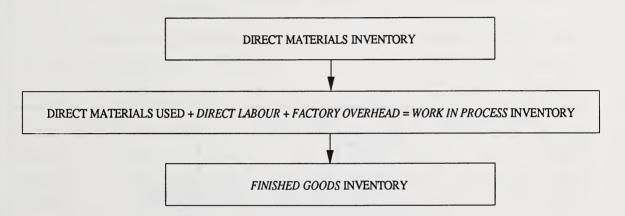
Assets		Н	+	4			⊢	H	H			H	+	+	_
Gurrent Assets		Ц	4	4	_		L		L		<b></b>	Н	$\dashv$	$\bot$	_
Cash	_	Ц	4	4		59	7	9	6	00	<u> </u>	Ц	4	1	_
Accounts Receivable		_	_	_	00	_	L	L	L	$\perp$	<u> </u>	Ц	4	1	_
Less: Allowance for Doubtful Accounts	1	6	4	5	00	47	9	0	6	00	<u> </u>	Ц	$\perp$	1	
Direct Materials		Ц	4	4						00	<u> </u>	Ц	$\perp$	$\perp$	
Work in Grocess		Ц	$\perp$		_					00		Ш	Ц	1	
Finished Goods		Ц	4	4	_	48	5	3	2	00		Ц	Ц	1	
Prepaid Insurance		Ц	$\perp$							00		Ц	Ц	$\perp$	
Supplies - Factory		Ц	$\perp$			3	8	3	9	00		Ш	Ц	$\perp$	
Supplies - Office		Ш					5	8	2	00					
Total Gurrent Assets											231	0	1	0	0
Fixed Assets												П	$\Box$	T	
Factory Equipment	335	0	0	0	00								$\Box$	Ι	
Less: Accumulated Depreciation - Factory Equipment	71	1	9	6	00	263	8	0	4	00		П	П	T	Ī
Store Fixtures	57	6	o	o	00		Γ	Г	Γ			П	П	T	Ī
Less: Accumulated Depreciation - Store Fixtures						49	4	4	0	00		П	П	T	_
Office Equipment					00		Γ	Γ	Γ			П	П	T	Ī
Less: Accumulated Depreciation - Office Equipment						32	9	6	0	00		П	П	T	Ī
Factory Building	375	0	0	ol	00		Π	Γ	Γ			П	П	T	
Less: Accumulated Depreciation - Factory Building						336	0	7	0	00		П	П	Τ	Ī
Total Fixed Assets				٦			Γ		Γ		682	2	7	4 (	0
Total Assets				٦			Γ		Γ		913				
Labilities		П	₹	╕			F	F	F			Ħ	Ħ	Ŧ	=
Gurrent Liabilities		П	П	٦			Г					П	П	T	Ī
Demand Bank Loan			П	٦		40	0	0	0	00		П	П	T	Ī
Accounts Layable	1	Г	$\exists$	٦						00		П	П	T	_
Employees Income Tax Layable		П		٦		14	1	2	0	00		П	П	T	_
Canada Lension Llan Layable		Г		٦		2	1	1	8	00		П	П	T	
Unemployment Insurance Layable		П	П							00		П	П	T	Ī
Corporate Income Fax Layable				┪						00		П	П	T	_
Total Gurrent Liabilities							Ť	Ť	Ť			3	4	3	0
Long-Term Liabilities	-1	Г	П					T	Τ		1	Ť	M	Ť	Ĭ
Mortgage Layable		Г	П	٦			Τ	T	T		200	6	6	مار	0
Total Liabilities							T	T	Τ		298				
Shareholders' Equity		Г	$\sqcap$				T	T	T		770	Ť	Ħ	Ť	Ĭ
Gapital Stock - Common		П	П			500	10	0	10	00		П	$\sqcap$	T	Ī
Retained Carnings			$\sqcap$							00		П	$\sqcap$	T	Ī
Total Shareholders' Equity				┪		117	ť	ť	ť	00	614	6	4	1	-
Total Liabilities and Shareholders' Equity			$\forall$	٦			1	T	T	T	913			_	_
O one Laurence was Ones conserv Oqualy		=		_		_	=	$\vdash$	L		#213	半	屵	4	_

### Section 2 Follow-up Activities

#### **Extra-help Activities**

Extra-help Activity A

Complete the flowchart of the manufacturing process by inserting the four missing words or phrases.



#### Extra-help Activity B

Applied Factory Overhead is usually calculated as a percentage of direct labour costs. To calculate the amount of applied Factory Overhead, multiply the amount of Direct Labour by the percentage rate and divide by 100.

Calculate the amount of Factory Overhead and Total Cost on the following job orders. All overhead is applied as a percentage of Direct Labour.

Direct Materials	Direct Labour	Rate	Factory Overhead	Total Cost
\$57 385.12	\$23 193.45	100%	\$23 193.45	\$103 772.02
1 038.00	4 619.39	125%	5 774.24	11 431.63
545.50	650.20	50%	325.10	1 520.80
88 263.75	67 396.15	75%	50 547.11	206 207.01
812.90	3 957.52	150%	5 936.28	10 706.70

### Extra-help Activity C

Complete the job cost sheet for Job Order No. 92-413. This is an order for 250 units of PC1052 patio chairs.

Job Nui	mber <u>92-413</u>		СО	ST SHE	ET		
Number	PC1052 - Latio C of Items250 forStock			Dat	te Wanted	<i>April</i> 4, 19xx <i>April</i> 13, 19xx  ed <i>April</i> 12, 19xx	
	DIRECT MATERIALS	3		DIRECT LABOUR		SUMMARY	
Requisition Number	Date	Amount	Time Ticket Number	Date	Amount	ltern	Amount
2431	Apr. 4, 19xx	5 587.50	401-405	Apr. 5, 19xx	510.00	Direct Materials	15 500.00
2462	Apr. 6, 19xx	1 875.00	439-443	Apr. 6, 19xx	510.00	Direct Labour	2 057.00
2471	Apr. 6, 19xx	8 037.50	472-473	Apr. 7, 19xx	245.00	Factory Overhead	
		15 500.00	494-497	Apr. 10, 19xx	264.00	(120% of Direct Labour)	2 468.40
			510-513	Apr. 11, 19xx	264.00	Total Cost	20 025.40
			525-528	Apr. 12, 19xx	264.00	No. of Units Completed	250
					2 057.00	Unit Gost	80.10

#### Extra-help Activity D

Identify the accounts debited and credited in a general journal for the following transactions:

- 1. Transfer the total of all direct materials requisitions from Direct Materials to Work in Process.
  - Dr Work in Process
    - Cr Direct Materials
- 2. Transfer the total Direct Labour costs to Work in Process.
  - Dr Work in Process
    - Cr Direct Labour
- 3. Close the balances in each of the expense accounts to Factory Overhead.
  - Dr Factory Overhead
    - Cr Depreciation Expense Factory Building
    - Cr Depreciation Expense Factory Equipment
    - Cr Factory Supplies Expense
    - Cr Indirect Labour Expense
    - Cr Insurance Expense Factory
    - Cr Payroll Taxes Expense
    - Cr Property Tax Expense
    - Cr Utilities Expense
- 4. Transfer the applied Factory Overhead to Work in Process.
  - Dr Work in Process
    - Cr Factory Overhead
- 5. Transfer the balance of the Factory Overhead account to Income Summary when the applied overhead is larger than the actual overhead.
  - Dr Factory Overhead
    - Cr Income Summary
- 6. Transfer the total of all jobs completed from Work in Process to Finished Goods.
  - Dr Finished Goods
    - Cr Work in Process

#### Extra-help Activity E

Complete the statement of cost of goods manufactured for Royal Oak Furniture Ltd. for the month ended June 30, 19xx.

#### **Direct Materials**

The inventory on June 1 was \$20 552.00 and \$21 329.00 on June 30. Purchases during the month totalled \$61 582.00.

### **Direct Labour**

\$40,013.00

### **Factory Overhead Applied**

\$34 011.00

#### Work in Process

Inventory on June 1 was \$48 448.00 and \$49 570.00 on June 30.

Royal Oak Furniture Ltd.	
Statement of Cost of Goods Manufactured	
For Month Ended June 30, 19xx	
<u> </u>	

Direct Materials		L	Ц				Ш	Ц		
Materials Inventory, June 1, 19xx	20	5	5	2	00		Ц	Ц	$\perp$	_
Add: Materials Lurchased	61	5	8	2	00		L	Ц	$\perp$	
Total Materials Available	82	1	3	4	00		L	Ц	$\perp$	
Less: Materials Inventory, June 30, 19xx	21	3	2	9	00			Ц		
Cost of Direct Materials Placed in Process		L	Ш			60	8	9	5	0
Direct Labour			Ш			40	0	1	3	0
Factory Overhead Applied						34	0	1	1	0
Total Cost of Work Llaced in Lrocess		L	Ш			134	9	1	9	0
Add: Work in Process Inventory, June 1, 19xx			Ш			48	4	4	8	0
Total Cost of Work in Grocess			Ш			183	3	6	7	0
Less: Work in Process Inventory, June 30, 19xx						49	5	7	o	0
Cost of Goods Manufactured						133	7	9	7	0
		T						П	T	

#### **Enrichment Activities**

#### Enrichment Activity A

Complete the following chart by estimating the Factory Overhead as a percentage of direct labour costs at the rate given. In addition, calculate the difference between the actual and the applied overhead, and indicate whether it is known as overapplied overhead or underapplied overhead.

Direct Labour	Rate	Applied Overhead	Actual Overhead	Difference	Overapplied/ Underapplied
\$34 581.50	85%	\$29 394.28	\$29 563.25	\$ 168.97	under
117 960.89	35%	41 286.31	42 625.73	1 339.42	under
2 105.38	110%	2 315.92	2 308.15	7.77	over
22 895.26	125%	28 619.08	28 691.10	72.02	under

#### Enrichment Activity B

- 1. On September 30, 19xx, the records of Whitehorn Skiwear show the following information:
  - The total of all requisitions of direct materials issued during September is \$107 240.00.
  - The total of direct labour costs during September is \$97 120.00.
  - The expense account balances in the general ledger for September are as follows:

Depreciation Expense – Factory Building	\$ 1200.00
Depreciation Expense – Factory Equipment	2 454.00
Factory Supplies Expense	7 680.00
Indirect Labour Expense	33 400.00
Insurance Expense – Factory	640.00
Payroll Taxes Expense – Factory	5 956.00
Property Tax Expense – Factory	3 020.00
Utilities Expense – Factory	39 50.00

- Factory Overhead is applied at the rate of 62% of direct labour costs (to the nearest dollar).
- Cost sheets completed during the month total \$260 980.00.

Instruction: Prepare the following journal entries on page 351 of a general journal.

- Transfer the total of all direct materials requisitions from Direct Materials to Work in Process.
   Memo No. 458.
- Transfer the total direct labour costs to Work in Process. Memo No. 459.
- Close the balances in each of the expense accounts to Factory Overhead. Memo No. 460.
- Transfer the applied Factory Overhead to Work in Process. Memo No. 461.
- Transfer the balance of the Factory Overhead account to Income Summary. Memo No. 462.
- Transfer the total of all jobs completed from Work in Process to Finished Goods. Memo No. 463.

#### **GENERAL JOURNAL**

PAGE 351

	DATE		ACCOUNT TITLE POST. REF.					rs		С	TS				
1	Sept.	30	Work in Lrocess		107	2	4	0	00						1
2			Direct Materials							107	2	4	0 (	20	2
3			Memo No. 458												3
2 3 4 5		30	Work in Lrocess		97	1	2	0	00				$\perp$		4
5			Direct Labour							97	1	2	00	20	5
6 7			Memo No. 459				Ш						$\perp$		6
7		30	Factory Overhead		58	3	0	0	00				$\perp$		7_
8			Depreciation Expense - Factory Building							1	2	0	00	20	8
9			Depreciation Expense - Factory Equipment				Ш			2	4	5	4 (	20	9
10			Factory Supplies Expense							7	6	8	00	00	10
11			Indirect Labour Expense							33	4	o	00	20	11
12			Insurance Expense - Factory								6	4	00	20	12
13			Layroll Taxes Expense - Factory							5	9	5	6 0	20	13
14			Property Tax Expense - Factory							3	0	2	00	20	14
15			Utilities Expense - Factory							3	9	5	00	20	15
16			Memo No. 460			L									16
17		30	Work in Lrocess		60	2	1	4	00						17
18			Factory Overhead			L	Ц			60	2	1	4 (	20	18
18 19			Memo No. 461			L	Ц				L	Ц	$\perp$		19
20		30	Factory Overhead		1	9	1	4	00		L	Ш			20
_			Income Summary				Ц			1	9	1	4 (	20	21
22			Memo No. 462									Ш			22
23		30	Finished Goods		260	9	8	0	00						23
24			Work in Lrocess							260	9	8	0 (	20	24
25			Memo No. 463												25
26													$\prod$		26

2. Prepare a statement of cost of goods manufactured for Whitehorn Skiwear for the month ended September 30, 19xx.

Direct Materials inventory, September 1, 19xx
Direct Materials inventory, September 30, 19xx
Purchases of Direct Materials during September
Work in Process inventory, September 1, 19xx
Work in Process inventory, September 30, 19xx
88 894.00

Whitehorn Skiwear	
Statement of Gost of Goods Manufactured	
For Month Ended September 30, 19xx	

Direct Materials				$\perp$	┙			Ц			
Materials Inventory, September 1, 19xx		130	3	1	Q	00		Ц	Ц	1	
Add: Materials Lurchased		01	1	9	0	00		Ц	Ц		
Total Materials Available	;	231	5	0	0	00		Ц			
Less: Materials Inventory, September 30, 19xx		124	2	6	0	00		Ц	Ц	$\downarrow$	
Cost of Direct Materials Placed in Process				Ц			107	2	4	0	00
Direct Labour				Ц			97	1	2	0	00
Factory Overhead Applied				Ш			60	2	1	4	00
Total Cost of Work Llaced in Lrocess				Ц			264	5	7	4	00
Work in Grocess Inventory, September 1, 19xx				Ц			81	5	5	0	00
Total Cost of Work in Process				Ц			346	1	2	4	00
Work in Process Inventory, September 30, 19xx					╛		88	8	9	4	00
Cost of Goods Manufactured				Ц			257	2	3	0	00
					1					1	
				П	I					T	

#### Enrichment Activity C

Imposing additional taxes – such as a sales tax – is one way the federal government can raise additional funds.

Assume that in February, 19xx, the unit cost of Product X is \$100.00. By adding a profit margin of 20%, the selling price is \$120.00. Direct Materials cost \$40.00, Direct Labour is \$40.00, and Factory Overhead is 50% of Direct Labour. The Payroll Taxes Expense portion of Direct Labour is \$3.00.

Assume that in March 19xx the government brings down a new budget with the following changes:

- A sales tax of 10% will be imposed at all levels.
- Canada Pension and Unemployment insurance premiums will rise to produce a net Payroll Taxes Expense increase of 16%.

Not only will the cost of direct materials and direct labour rise, but actual overhead will rise because of the materials (for example, Supplies) and the indirect labour factors in overhead. Assume that an analysis of overhead estimates that factory overhead should be applied at the rate of 60% of direct labour.

The sales tax based on the selling price also affects the cost to the consumer.

**Instruction:** Calculate the unit price to the consumer before and after the federal budget by completing the chart.

	February	March
Direct Materials	\$ 40.00	\$ 44.00
Direct Labour	40.00	40.48
Applied Factory Overhead	20.00	24.29
Unit Cost	100.00	108.77
Profit Margin	20.00	21.75
Selling Price	120.00	130.52
Sales Tax	<del>0</del> -	13.05
Price to Consumer	120.00	143.57

### **Section 2 Assignment**

The assignment and answers for Section 2 are given on the following pages. A suggested mark distribution follows:

 Part A
 5 marks

 B
 5 marks

 C
 10 marks

 D
 5 marks

 E
 10 marks

 F
 5 marks

 G
 10 marks

 Total
 50 marks

The marks are also given in the left margin beside each question.

### Section 2 Assignment A

For each of the following, select the answer that best completes the statement.

- - A. cash journal
  - B. synoptic journal
  - C. cash ledger
  - D. general ledger
- - A. Adjustments columns
  - B. Departmental Margin Statements columns
  - C. Income Statement columns
  - D. Balance Sheet columns
- \_\_B 3. On the worksheet for a departmentalized merchandising business, the revenues are extended to the
  - A. Adjustments columns
  - B. Departmental Margin Statements columns
  - C. Income Statement columns
  - D. Balance Sheet columns

	4.	The data used to prepare a departmental margin statement is taken from the
		A. synoptic journal
		B. special journals
		C. general ledger
		D. worksheet
_ <u>D</u>	5.	The departmental margin is the
		A. revenue earned by the department less cost of goods sold less direct expenses less indirect expenses
		B. revenue earned by the department less liabilities less direct expenses
		C. revenue earned by the department less direct expenses less indirect expenses D. none of the above
_ <i>C</i> _	6.	The form used to authorize the transfer of materials from the storeroom to the factory is called a
		A. cost sheet
		B. materials sheet
		C. materials requisition
		D. materials ledger
<u>B</u>	7.	After the order is filled, the original of a materials requisition is given to the
		A. department foreman who authorized the requisition
		B. cost accounting clerk
		C. plant manager
		D. worker who is using the material
<u>B</u> _	8.	When an order is completed, all costs of producing the order are debited to
		A. Direct Materials inventory
		B. Finished Goods inventory
		C. Merchandise inventory
		D. Work in Process inventory
_A	9.	When a completed order is sold, all costs of producing the order are transferred to
		A. Cost of Goods Sold
		B. Factory Overhead
		C. Finished Goods
		D. Work in Process
_ <u>D</u>	10.	The Cost of Goods Manufactured line in the income statements for a manufacturing
		business is similar to the line in the income statement for a merchandising business which lists
		A. Cost of Goods Sold
		B. Gross Profit on Sales
		C. Merchandise on Sales

D. Purchases

### Section 2 Assignment B



The Sports Exchange is a departmentalized store with two departments – Athletic Clothing and Athletic Footwear. Complete the table on the response page.

For each item, choose the statement in which the item will be reported. Record the appropriate number in the first column. Next choose the section in which the item will be reported. Record the appropriate letter in the second column.

- (1) departmental margin statement
- (2) income statement
- (3) neither of the above

- R Revenue
- S Net Sales
- C Cost of Goods Sold
- D Direct Departmental Expenses
- I Indirect Expenses
- N none of the above

		Statement	Section
1.	Supplies Expense – Athletic Clothing	1	D
2.	Accounts Receivable	3	N
3.	Salary Expense – Athletic Footwear	1	D
4.	Sales Returns and Allowances – Athletic Clothing	1	S
5.	Purchases – Athletic Footwear	1	С

### Section 2 Assignment C



 Prepare the departmental margin statement for the Service Department of George's Garage for the month ending August 31, 19xx. (Note: Do not leave any blank lines when preparing the statement, or you will run out of space.) Include the percentage of net sales for each amount in the third column.

Part of the worksheet is shown next. Only the data necessary for the preparation of the statement is given.

	ACCOUNT TITLE
1	Income Summary – Service
2	Sales – Service
3	Sales Returns & Allowances – Service
4	Purchases – Service
5	Purchases Returns & Allowances – Service
6	Advertising Expense – Service
7	Bad Debis Expense – Service
8	Depr. Expense – Shop Equipment – Service
9	Insurance Expense – Service
10	Miscellaneous Expense – Service
11	Payroll Taxes Expense – Service
12	Supplies Expense – Service
13	Wages Expense – Service
14	
15	Departmental Margin – Service
16	
17	

	MENTAL ATEMENTS
SERVICE DE	PARTMENT
DEBIT	CREDIT
1 833.00	2 460.00
	24 442.00
310.00	
8 901.00	
	120.00
517.00	
66.00	
232.00	
97.00	
327.00	
454.00	
481.00	
5 248.00	
18 466.00	27 022.00
8 556.00	
27 022.00	27 022.00

### George's Garage Departmental Margin Statement - Service For Month Ended August 31, 19xx

% of Net Sales\*

Revenue		4	1		_	Ц	4	$\perp$	#		Ц	Ц	4	-	
Sales		$\perp$	1		24	4	4	<u> 2 0</u>	2			4	4	4	101.28
Less: Sales Returns and Allowances		$\perp$	L	Ш		3	1	00				Ц	1		1.28
Net Sales		$\perp$	L			Ц	4		4	24	1	3	2	00	100.00
Cost of Goods Sold		$\perp$	L	Ш		Ц	1		1		Ц	4	1		
Merchandise Inventory, August 1, 19xx		4	L		1	8	3	<u> 3 0</u>			Ц	4	4		7.60
Lurchases	8	90	1	00		Ц	$\perp$		4		Ц	$\Box$	4	_	36.88
Less: Lurchases Returns and Allowances		1 2	0	00		Ц	$\perp$	┸	$\bot$		Ц	Ц	_	4	0.50
Net Lurchases			L		8	7	8	10				Ц	4		36.39
Total Cost of Goods Available for Sale			L		10	6	1	40					4		43.98
Less: Merchandise Inventory, August 31, 19xx		$\perp$	L		2	4	6	<u>o o</u>	0			Ц			10.19
Cost of Goods Sold		$\perp$	L			Ш		$\perp$	$\perp$	8	1	5	4	00	33,79
Gross Profit						Ц			$\perp$	15	9	7	8	00	66.21
Direct Departmental Expenses			L						$\perp$						
Advertising Expense		$\perp$	L			5	1	70	ol						2.14
Bad Debts Expense			L			Ц	6	60			Ш	Ш			0.27
Depreciation Expense - Shop Equipment		$\perp$	L			2	3	20	0				1		0.96
Insurance Expense		$\perp$	L			Ц	9	70	0			Ц	$\perp$		0.40
Miscellaneous Expense			L			3	2	<u> 7 0</u>							1.36
Layroll Faxes Expense		$\perp$	L			4	5	40	o L			Ц			1.88
Supplies Expense						4	8	10							1.99
Wages Expense					5	2	4	<u>8</u> 0	oll						21.75
Fotal Direct Departmental Expenses										7	4	2	2	00	30.76
Departmental Margin										8	5	5	6	00	35.45
,			T			П		T	T			Ħ	7		

<sup>\*</sup> each item rounded to nearest 0.01%



2. Record the August 31, 19xx, closing entries for the Service Department of George's Garage on page 51 of the general journal provided.

#### **GENERAL JOURNAL**

PAGE 51

T	DATE		ACCOUNT TITLE	POST. REF.		DEE	BIT	s		С	RE	DIT	s	
1			Glosing Entries			$\Box$								1
2	Aug.	31	Sales - Service		24	4	4	2	00					2
3			Lurchases Returns and Allowances - Service			1	2	0	00					3
4			Income Summary - Service			Ш		_		24	5	6	2 00	4
5		31	Income Summary - Service		16	6	3	3	00			$\perp$		5
6			Sales Returns and Allowances - Service			Ц					3	10	00	6
7			Lurchases - Service			Ш		$\perp$		8	9	0	1 00	7
8			Advertising Expense - Service								5	1	7 00	8
9			Bad Debts Expense - Service				┙	$\perp$				6	5 00	9
10			Depreciation Expense - Shop Equipment - Service					$\perp$			2	3	2 00	10
11			Insurance Expense - Service			Ц	┙	$\perp$				9	7 00	11
12			Miscellaneous Expense - Service			Ц	_	$\perp$			3	2	7 00	12
13			Layroll Taxes Expense - Service			Ц	1	$\perp$			4	5	4 00	13
14			Supplies Expense - Service			Ц	1	_			4	8	1 00	14
15			Wages Expense - Service			Ц				5	2	4	8 00	15
16		31	Income Summary - Service		8	5	5	6	00		Ц			16
17			Income Summary - General			Ц				8	5	5	5 00	17
18			•			Ц					Ц	$\perp$		18
19					1		1							19

#### Section 2 Assignment D



Prepare an income statement for the month ended March 31, 19xx, for The Pajama Game. (Note: Do not leave any blank lines when preparing the statement, or you will run out of space.) Include the Percentage of Net Sales for each amount in the third column.

The business has two departments – Retail and Mail Order. The worksheet includes the following data:

#### Retail

Net Sales, \$30 500.00 Cost of Goods Sold, \$17 438.00 Direct Expenses, \$5 780.00

#### Mail Order

Net Sales, \$15 892.00 Cost of Goods Sold, \$8 350.00 Direct Expenses, \$3 921.00

#### **Indirect Expenses**

Advertising Expense, \$1 250.00 Depreciation Expense – Office Equipment, \$73.00 Insurance Expense, \$25.00 Miscellaneous Expense, \$158.00 Payroll Taxes Expense, \$315.00 Rent Expense, \$875.00 Salary Expense, \$3 500.00 Supplies Expense, \$47.00

Corporate Income Tax is estimated at 35%. (Calculate the tax to the nearest dollar.)

### The Lajama Game Income Statement

### For Month Ended March 31, 19xx

% of Net Sales\*

	Net Sales
Net Sales	
Retail Department	30 5 0 0 00 65.74
Mail Order Department	15 8 9 2 00 34.26
Total Net Sales	46 3 9 2 00 100.00
Cost of Goods Sold	
Retail Department	17 4 3 8 00 37.59
Mail Order Department	8 3 5 0 00 18.00
Total Gost of Goods Sold	25 7 8 8 00 55.59
Gross Lrofit	
Retail Department	13 0 6 2 00 28.16
Mail Order Department	7 5 4 2 00 16.26
Total Gross Leofit	20 6 0 4 00 44.41
Direct Departmental Expenses	
Retail Department	5 7 8 0 00 12.46
Mail Order Department	3 9 2 1 00 8.45
Total Direct Departmental Expenses	9 7 0 1 00 20.91
Departmental Margin	
Retail Department	7 2 8 2 00 15.70
Mail Order Department	3 6 2 1 00 7.81
Total Departmental Margin	10 9 0 3 00 23.50
Indirect Expenses	
Advertising Expense	1 2 5 0 00 2.69
Depreciation Expense - Office Equipment	7 3 00 0.16
Insurance Expense	2 5 00 0.05
Miscellaneous Expense	1 5 8 00 0.34
Layroll Faxes Expense	3 1 5 00 0.68
Rent Expense	8 7 5 00 1.89
Salary Expense	3 5 0 0 00 7.54
Supplies Expense	4 7 00 0.10
Total Indirect Expenses	6 2 4 3 00 13.46
Net Income Before Corporate Income Taxo	4 6 6 0 00 10.04
Less: Corporate Income Tax	1 6 3 1 00 3.52
Net Income After Corporate Income Faxo	3 0 2 9 00 6.53

<sup>\*</sup> each item rounded to nearest 0.01%

### Section 2 Assignment E



Complete the worksheet for The Downhill Connection for the month ended September 30, 19xx. The business specializes in downhill ski equipment and in clothing for the downhill skier.

The partially completed worksheet is given. Corporate Income Tax is estimated at 35%. (Calculate the tax to the nearest dollar.)

The Downhill

Work

For Month Ended

3 A. 4 MM 5 MM 6 BM 7 Su 8 Off 9 A. 10 Sa 11 A. 12 Sa 13 A. 14 A. 15 Ba 16 En 17 Ga	ACCOUNT TITLE  ACCOUNT TITLE  ACCOUNTS Receivable  Allowance for Doubtful Accounts  Aerchandise Inventory - Equipment  Aerchandise Inventory - Glothing  Arepaid Insurance  Applies  Accumulated Depreciation - Office Equipment  Accumulated Depreciation - Equipment  Accumu Deprec Store Equip Equipment  Accum. Deprec Store Equip Glothing  Accum. Deprec Store Equip Glothing	ACCOUNT NUMBER 1101 1201 1201.1 1301 1401 1501 1511 1601.1 1611.1 1611.1	6 8 18 11	0 5 6 2 7 8	6 3 0 3 7 3	5 4 0 8 5	00 00 00 00		RE	DIT	00	(a)	5	EB	IT 2	00	(i) (b) 18	CRI	4 0	3 00	
2 A. 3 A. 4 M. 5 M. 6 B. 7 Sa. 8 C. 10 Sa. 11 A. 12 Sa. 13 A. 14 A. 15 B. 16 En.	Accounts Receivable  Accounts Receivable  Accounts Receivable  Accounts  Acc	NUMBER  1101 1201 1201.1 1301 1401 1501 1511 1601 1601.1 1611.1	6 8 18 11 1	0 5 6 2 7 8	6 3 0 3 7 3	5 4 0 8 5	00 00 00		$\exists$	T		(a)	5	5	2	00	(i) (b) 18	6	4	3 00	2
2 A. 3 A. 4 M. 5 M. 6 B. 7 Sa. 8 C. 10 Sa. 11 A. 12 Sa. 13 A. 14 A. 15 B. 16 G. 17 Ga.	Accounts Receivable  Accounts Receivable  Accounts Receivable  Accounts  Acc	1101 1201 1201.1 1301 1401 1501 1511 1601 1601.1 1611.1	6 8 18 11 1	0 5 6 2 7 8	6 3 0 3 7 3	5 4 0 8 5	00 00 00		$\exists$	T		(a)	5	5	2	00	(i) (b) 18	6	4	3 00	2
2 A. 3 A. 4 M. 5 M. 6 B. 7 Sa. 8 C. 10 Sa. 11 A. 12 Sa. 13 A. 14 A. 15 B. 16 G. 17 Ga.	ccounts Receivable  Clowance for Doubtful Accounts  Cerchandise Inventory - Equipment  Cerchandise Inventory - Clothing  Cepaid Insurance  Complete  Complete Depreciation - Office Equipment  Community Community  Communi	1201 1201.1 1301 1401 1501 1511 1601 1601.1 1611 1611.1	18 11 1 10	5 6 2 7 8	3 0 3 7 3	4 0 8 5	00 00 00		5	2 (	00	(a)	5	5	2	00	<sup>(b)</sup> 18	6	0	0 00	2
3 A. 4 MM 5 M 6 B 7 Su 8 Off 9 A. 10 Sa 11 A. 12 Sa 13 A. 14 A. 15 B. 16 En 17 Ga	Ilowance for Doubtful Accounts  Aerchandise Inventory - Equipment  Aerchandise Inventory - Glothing  Aerpaid Insurance  Applies  Accumulated Depreciation - Office Equipment  Accumulated Depreciation	1201.1 1301 1401 1501 1511 1601 1601.1 1611 1611.1	18 11 1	6 2 7 8	0 3 7 3	0 8 5	00 00 00		5	2 (	00	(a)	5	5	2	00	<sup>(b)</sup> 18	6	0	0 00	3
4 M 5 M 6 B 7 Su 8 Off 9 M 10 Su 11 M 12 Su 13 M 14 M 15 Bu 16 En 17 Ga	Serchandise Inventory - Equipment Serchandise Inventory - Glothing Prepaid Insurance Supplies Sicc Equipment Secumulated Depreciation - Office Equipment Sore Equipment - Equipment Secum. Deprec Store Equip Equipment Store Equipment - Clothing	1301 1401 1501 1511 1601 1601.1 1611.1	11 1 10	2 7 8	3 7 3	8 5	00 00		5	2 (	00	(a)	5	5	2	00	<sup>(b)</sup> 18	6	0	0 00	
5 M 6 B 7 Su 8 Off 9 M 10 Su 11 M 12 Su 13 M 14 M 15 Bu 16 En 17 Ga	Perchandise Inventory - Clothing Prepaid Insurance Supplies  Affice Equipment  Accumulated Depreciation - Office Equipment  Accum. Deprec Store Equip Equipment  Accum. Deprec Clothing	1401 1501 1511 1601 1601.1 1611.1	11 1 10	2 7 8	3 7 3	8 5	00 00			‡		(3) (3) (3)	5	3	2	00	(b) (d)	6	0	0 00	1/4
6 \( \mathbb{G}\) \( G	Prepaid Insurance Supplies Stice Equipment Scrumulated Depreciation - Office Equipment Sore Equipment - Equipment Scrum. Deprec Store Equip Equipment Sore Equipment - Clothing	1501 1511 1601 1601.1 1611 1611.1	10	7 8	7 3	5	00		-	4		(34	4	3	7		(d)	П	$\neg$		417
7 Su 8 Off 9 A 10 Su 11 A 12 Su 13 A 14 A 15 Su 16 Su 17 Gu	upplies flice Equipment force Equipment force Equipment - Equipment force Equipment - Equipment force Equipment - Store Equip Equipment force Equipment - Glothing	1511 1601 1601.1 1611 1611.1	10	8	3	_				$\neg$					<u>'L'</u>	00	11	2	3	8 00	5
8 Off 9 A 10 Sa 11 A 12 Sa 13 A 14 A 15 Ba 16 En 17 Ga	fice Equipment focumulated Depreciation - Office Equipment fore Equipment - Equipment focum. Deprec Store Equip Equipment fore Equipment - Clothing	1601 1601.1 1611 1611.1		_	$\overline{}$	0	-			L							(e)	1	2	5 00	6
9 A. 10 Sa 11 A. 12 Sa 13 A. 14 A. 15 Ba 16 En 17 Ga	ccumulated Depreciation - Office Equipment fore Equipment - Equipment ccum. Deprec Store Equip Equipment fore Equipment - Clothing	1601.1 1611 1611.1		0	5		00										<b>(f)</b>	2	8	5 00	7
10 Sa 11 A 12 Sa 13 A 14 A 15 Ba 16 En 17 Ga	ore Equipment - Equipment Ccum. Deprec Store Equip Equipment Fore Equipment - Clothing	1611 1611.1	15			4	00														8
11	ccum. Deprec Store Equip Equipment ore Equipment - Clothing	1611.1	15					1	6	8 9	00			L	L		(g)	1	4	0 00	9
12 Sa 13 A 14 A 15 Ba 16 En 17 Ga	tore Equipment - Glothing		1	6	2	0	00						L		L				$\Box$		10
13 Ad 14 Ad 15 Bo 16 Em 17 Ca		1621						3	1	2 4	00						(h)	2	6	0 00	11
<ul> <li>14 A</li> <li>15 GBa</li> <li>16 Ga</li> <li>17 Ga</li> </ul>	ccum, Debrec Store Sauit Clothing	1021	4	1	3	0	00														12
<ul><li>15 Bo</li><li>16 Em</li><li>17 Ga</li></ul>		1621.1							8	2 6	00			L			(i)		6	9 00	13
16 <i>Gn</i> 17 <i>Ga</i>	ccounts Layable	2001						12	5	8 4	00										14
17 Ga	ank Loan Layable	2011						25	0	00	00										15
	nployees Income Tax Layable	2101						1	8	5 (	00										16
18 9/	anada Lension Llan Layable	2102							2	8	00				Γ			П	П		17
	nemployment Insurance Layable	2103							4	7 6	00							П			18
19 60	orporate Income Fax Layable	2104			П								Τ	Г			(k)	3	7	8 0	19
20 Ga	apital Stock - Common	3001						50	0	00	00										20
21 R	etained Earnings	3011									00		Τ	T	Τ			П			21
22 <i>In</i>	rcome Summary - Equipment	3901										(b) 18	6	0	0	00	(a)	5	5	2 0	22
23 <i>In</i>	ncome Summary - Glothing	3911										(d) 11	2	3	8	00	(34	4	3	7 0	) 23
24 In	ncome Summary - General	3999																			24
25 Sa	ales - Equipment	4001						12	8	1 3	00				L						25
26 <i>Sa</i>	ales Returns and Allowances - Equipment	4001.1			2	5	00														26
27 Sa	ales - Clothing	4101						21	4	7 4	00		I							Т	27
28 Sa	ales Returns and Allowances - Clothing	4101.1			9	0	00			T			Γ		Γ			П			28
29 <i>L</i>	Purchases - Equipment	5001	30	0	4	0	00			T			Γ	Γ	Π			П			29
30 <i>L</i>	Surchases Returns and Allow Equipment	5001.1				T			4	8 3	00				Γ			П			30
	urchases - Glothing	5101	33	5	0	9	00			T			T		T			П			31
32 £	urchases Returns and Allow Clothing	5101.1		П	T	1			7	8 9	00		T	T				П	T	T	32
33 A	dvertising Expense - Equipment	6001		3	2	5	00			Ι			Γ								33
	wertisting expense - equipment	6011			T	T												П	T	1	-11
35 <i>L</i>	eprec. Exp Store Equip Equipment	6021				_				$\perp$		(h)	2	6	0	00					34

Connection

sheet

September 30, 19xx

			5				6	3					7					8						9					10					11					12			
				DEF	PAF	RTM	IEN	TA	LI	MΑ	RGI	N S	ST/	٩T	EME	NTS	;						IN	ICC	M	E S	ΓΑΊ	ΈΝ	IEN	IT				BA	\L/	NC	E SI	IEE	T			
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2				$\perp$				$\perp$	L	4		L	Ц				L	L	L	1	$\sqcup$		$\perp$	L	Ц			4.	╀	Ц		. 8	5	3	4	00		L		Ц		2
3		Ц	1	_	1	_		1	$\perp$	$\parallel$		L	Ц				L	L	Ļ	1	_		1	L	Ц		L	$\downarrow$	$\perp$	Ц			L	L	Ш			5	6	3	00	3
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5 6 7		Ц	1	_	1		1	$\perp$	$\perp$	Щ		L	Ц			_	L	L	L	ļ			ļ	L	Ц		L	$\perp$	$\perp$	Ц			1 4	_	_		_		L	Ц		5
6		Ц	$\perp$					$\perp$	1	$\parallel$		L	Ц				L	L	┸	1	_	L	1	L	Ц			1	$\perp$	Ц	_	_1				00		L	L	Ц		6
7			1	L	$\perp$			1	L	4		L	Ц				L	L	L	ļ			1	L	Ц		L	1	1	Ц						00		L	L	Ц		7
8			$\perp$	┸	1		4	1	$\perp$	$\parallel$		L	Ц				L	L	$\perp$	1			1	L	Ц			$\perp$	L	Ц		10	10	5	4	00	_	L	L	Ц		8
9		Ц		$\perp$		_	4	$\perp$	$\perp$	Щ		L	Ц				L	L	L	1		L	$\perp$	L	Ц	_		$\perp$	L	Ц		_	L	L			_	8	2	9	00	9
10			1		1			$\perp$	L	Щ		L	Ц	_			L	L	1	1			┸	L	Ц			$\perp$	L	Ц		15	6	2	0	00		L		Ц		10
11			$\perp$		1		_	$\perp$		4		L	Ц				L	L	L	l			1	L	Ц			$\perp$	$\perp$	Ц			L	L	L		3	3	8	4	00	11
12			$\perp$	L	1			$\perp$	1	Щ		L	Ц				L	L		1	$\Box$	L	L		Ц			$\perp$		Ц		4	1 1	3	0	00		L		Ц		12
13					$\perp$			$\perp$	L	4		L	Ц				L	L	L				L	L	Ц			1	L	Ц				L							00	
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15		Ц	$\perp$									L	Ц				L	L	L	1			$\perp$	L	Ц		L	$\perp$	L	Ц			L	L			25	0	0	0	00	15
16		Ц	1				_	$\perp$	Ţ	$\perp$							L	L	L	1			$\perp$	L	Ц			$\perp$	L	Ш			1	L	L		1				00	
17		Ц			┸								Ц				L	L	L	1		L	┸	L	Ц		L		L	Ц			L		L						00	17
18					1			1	$\perp$			L	Ц				L		L	1			┸	L	Ц		L	$\perp$		Ц			L	L					7		00	
19		Ц			1			1	L			L	Ц				L		L	1				L	Ц			┸	L	Ц			L	L							00	
20		Ц			1							L	Ц				L		L	l				L	Ц					Ш			L	L			50	0	0	0	00	20
21		Ц	4	L	1			_	1			1	Ц				L	L	L	1			1	L	Ц			1	L	Ц			L	L	L		22	6	3	6	00	21
22	18	6	0	0		39	5	5 2	2 0	20		L	Ц				L		L	1			$\perp$	L	Ц				L	Ц			L	L	L			L		Ц		22
23		Ц						$\perp$			11	2	3	8	00	34	4		3/2	1	00			L	Ц			$\perp$		Ц			L	L				L	L	Ц		23
24		Ш	$\perp$		1							L	Ш				L	L	L				$\perp$	L				$\perp$	L	Ш			L	L	L			L	L	Ш		24
25		Ц				12	8	1	3 0	20								L					$\perp$	L	Ц			$\perp$	L	Ш			L	L	L		L			Ш		25
26		Ц	2	5 0	0			1	$\perp$			L					L	L	L	1					Ц				L	Ш			L	L	L			L	L			26
27		Ц	$\perp$									L				21	4	1	7 5	1	00				Ш				L	Ш				L	L			L				27
28		Ц			1			$\perp$					9	0	00		L	L						L	Ш			$\perp$	L	Ц			L	L	L				L	Ш		28
29	30	0	4	00	o		Ц					L					L	L	$\perp$	1			$\perp$		Ш			$\perp$	L	Ц			L					L	L	Ш		29
30							4	8	3 (	20							L																L	L				I				30
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The Downhill

Worksheet

For Month Ended

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					TF	RIA	L B	ALA	NC					Α	DJ	US	ME	NT	s		
		ACCOUNT																			
$\Box$	ACCOUNT TITLE	NUMBER			BI				CRI	EDI	<u> </u>		DE	BI	T			CR	ED	IT	
36	Salary Expense - Equipment	6031	3	6	0	0	00		Ц	$\perp$			L					L	Ц		36
37	Supplies Expense - Equipment	6041		L	Ц				Ц	1		மி	L	9	5	00			Ц	L	37
38	Advertising Expense - Glothing	6101		3	2	5	00		Ц	$\perp$			L	L				L	Ц	$\perp$	38
39	Depreciation Exp Store Equip Clothing	6111		L	Ц				Ц	$\perp$		(i)		6	9	00		L	Ц		39
40	Layroll Taxes Expense - Glothing	6121			8	2	00		Ш	$\perp$				L	L			$\perp$	Ц		40
41	Salary Expense - Clothing	6131	2	3	0	0	00		Ш	$\perp$			L	L				L	Ш		41
42	Supplies Expense - Glothing	6141		L	Ц	Ц			Ц	$\perp$		(f)	L	9	5	00		L	Ц		42
43		6501		L	Ц	Ц			Ц	$\perp$		(i)	$\perp$	4	3	00		L	Ц	$\perp$	43
44	Depreciaton Expense - Office Equipment	6511		L	Ц				Ц	$\perp$		(g)	1	4	0	00		L	Ц		44
45	Insurance Expense	6521		L	Ц	Ц			Ц			(e)	1	2	5	00		L	Ц		45
46	Interest Expense	6531		-	_	_	00		$\perp$				$\perp$	L	L			L	Ц		46
47	Miscellaneous Expense	6541		1	9	3	00		L	$\perp$				L	L			L	Ц		47
48	Layroll Taxes Expense - Administrative	6551		3	1	2	00		L	$\perp$			L	L	L				Ц		48
49	Rent Expense	6561	1	2	Z	5	00		L					L					Ш		49
50	Salary Expense - Administrative	6571	5	0	0	0	00				_			L	L			L	Ц	$\perp$	50
51	Supplies Expense - Administrative	6581			Ц							(f)	L	9	5	00			Ш	Ш	51
52	Utilities Expense	6591					00						L	L	L			L			52
53			154	5	5	5	00	154	5	5	5 00										53
54	Departmental Margin - Equipment								Т												54
55	Departmental Margin - Clothing																				55
56																		L			56
57	Corporate Income Taxo	9101		L								(k)	3	7	8	00					57
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66				Γ										Γ					П	П	66
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68				Γ						П			T		Γ			T			68
69																		T			69
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Connection

(continued)

September 30, 19xx

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				ΕQ	UIP	MEN	ŧΤ								С	LOT	HINC	3																										
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37			9	5	00																																							37
38													3	2	5	00																												38
39							Γ	Γ						6	9	00																								Γ		П		39
40							Γ							8	2	00														L	L													40
41												2	3	0	0	00																												41
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63	_	Ц	Ц			<u> </u>	L	L	L		$\parallel$		L	L				L	L	L		L			Ц			<u> </u>	L	$\perp$	L		L			_				$\perp$	$\perp$	$\perp$		63
64		Ц	Ц			_	Ļ	L	L		$\parallel$							L	L	L		L							L	L										$\perp$	L	L		64
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66			Ц				L	L	L	_	1						_				L								L	1	L								_	1	L	L		66
67		L	Ц				L	L	L	_								L	L	L	L	L		L					L	1	1			Ц						1	1	1		67
68		L	Ц				1	1	L	_	1						<u> </u>	L	L					L					L	1	1		$\bot$							1	$\downarrow$	L		68
69	_	L	Ц			<b> </b>	1	1	L	_	1			L		L	<b></b>	L	L			L						_	1	1	1									1	1	1	L	69
70		L				l	L	L			1		L	L			<u>l</u>		L		L	L						<u> </u>	L			L							L		L	L	L	70

#### Section 2 Assignment F



On July 31, 19xx, the records of The Boot Factory show the following information:

- The total of all requisitions of direct materials issued during July is \$21 814.12.
- The total direct labour costs during July are \$23 805.74.
- The expense account balances in the general ledger for July are listed.

Account Title	Balance
Depreciation Expense – Factory Building	\$ 275.10
Depreciation Expense – Factory Equipment	555.05
Factory Supplies Expense	1 985.83
Indirect Labour Expense	8 817.15
Insurance Expense – Factory	410.50
Payroll Taxes Expense – Factory	617.20
Property Tax Expense – Factory	485.57
Utilities Expense – Factory	673.45

- Factory Overhead is applied at the rate of 55% of Direct Labour costs.
- Cost sheets completed during the month total \$65 912.79.

**Instruction:** Prepare the following journal entries on page 47 of a general journal.

- Transfer the total of all direct materials requisitions from Direct Materials to Work in Process. Memo No. 197.
- Transfer the total Direct Labour costs to Work in Process. Memo No. 198.
- Close the balances in each of the expense accounts to Factory Overhead. Memo No. 199.
- Transfer the applied Factory Overhead to Work in Process. Memo No. 200.
- Transfer the balance of the Factory Overhead account to Income Summary. Memo No. 201.
- Transfer the total of all jobs completed from Work in Process to Finished Goods. Memo No. 202.

	DATE	ACCOUNT TITLE P	OST. REF.		DEI	віт	s		С	RE	DI.	rs		
1	July 31	Work in Process		21	8	1	4	12			П	T		1
2		Direct Materials							21	8	1	4 1	12	2
3		Memo No. 197												3
4	31	Work in Lrocess		23	8	0	5	74						4
5		Direct Labour							23	8	0	5 7	74	5
6		Memo No. 198												6
7	31	Factory Overhead		13	8	1	9	85						7
8		Depreciation Expense - Factory Building								2	7	5 1	10	8
9		Depreciation Expense - Factory Equipment			Ш					5	5	5 (	)5	9
0		Factory Supplies Expense			Ц				1	9	8	5 8	33	10
1		Indirect Labour Expense			Ц				8	8	1	7 1	15	1
2		Insurance Expense - Factory			Ц					4	1	0 5	50	1
3		Layroll Faxes Expense - Factory								6	1	7 2	20	1:
4		Property Tax Expense - Factory			Ц	Ц				4	8	5 5	57	1
15		Utilities Expense - Factory			Ц					6	z	3 4	15	1
16		Memo No. 199			Ц	Ц								1
17	31	Work in Lrocess		13	0	9	3	16		Ц		$\perp$		1
18		Factory Overhead		_	Ц	Ц			13	0	9	3 1	16	1
9		Memo No. 200			Ц	Ц					Ц	$\perp$		1
20	31	Income Summary			z	2	6	69			Ц	1		20
21		Factory Overhead			Ш	Ц				z	2	6 6	59	2
22		Memo No. 201			Ц	Ц				L	Ц	$\perp$		2:
23	31	Finished Goods		65	9	1	2	79				$\perp$		2:
24		Work in Grocess			Ц				65	9	1	2 7	79	2
25		Memo- No. 202		_	Ц						Ц	$\perp$		2
26					Ц	Ц				L	Ц	$\perp$		26
27														2

### Section 2 Assignment G



1. Prepare the statement of cost of goods manufactured for The Boot Factory Ltd. for the month ended July 31, 19xx.

The account records show the following figures:

<ul> <li>Direct Materials inventory, July 1, 19xx</li> </ul>	\$ 6783.59
<ul> <li>Direct Materials inventory, July 31, 19xx</li> </ul>	4 705.38
<ul> <li>Work in Process inventory, July 1, 19xx</li> </ul>	14 834.60
<ul> <li>Work in Process inventory, July 31, 19xx</li> </ul>	7 634.83
<ul> <li>Purchases during the month of July</li> </ul>	19 735.91
<ul> <li>Direct Labour costs for July 19xx</li> </ul>	23 805.74

• Factory Overhead applied at 55% of direct labour

The Boot Factory Ltd.
Statement of Gost of Goods Manufactured
For Month Ended July 31, 19xx

Direct Materials		I								
Materials Inventory, July 1, 19xx		12	8	3	59		Ц	Ц	$\perp$	
Add: Materials Lurchased	19	12	3	5	91		Ц	Ц	$\perp$	
Total Materials Available	20	5	1	9	50		Ц	Ц	$\perp$	
Less: Materials Inventory, July 31, 19xx	4	1/2	<u> </u>	5	38		Ш	Ц	⊥	
Cost of Direct Materials Llaced in Lrocess			L			21	8	1	4	12
Direct Labour			L			23	8	o	5	74
Factory Overhead Applied			L	L		13	0	9	3	16
Total Cost of Work Placed in Process			L	L		58	7	1	3 (	2
Add: Work in Grocess Inventory, July 1, 19xx			L	L		14	8	3	4	50
Fotal Cost of Work in Locess		L	L	L		73	5	4	7 0	52
Work in Process Inventory, July 31, 19xx						7	6	3	4	<u>83</u>
Cost of Goods Manufactured			Ι			65	9	1	2	79
		T	T					П		
		T	Τ	Γ				П	T	



2. Complete the partial income statement for The Boot Factory Ltd. for the month ended August 31, 19xx.

The accounting records show the following figures:

•	Sales for the month	\$135 993.50
•	Sales Discount for the month	134.69
•	Finished Goods inventory, August 1, 19xx	73 486.70
•	Finished Goods inventory, August 31, 19xx	65 802.50
•	Direct Labour for the month	24 466.35
•	Actual Factory Overhead	14 639.10
•	Factory Overhead applied at 55% of Direct Labour	
•	Cost of Goods Manufactured	65 107.38

The Boot Factory Ltd.  Income Statement	
 For Month Ended August 31, 19xx	

	$\rightarrow$	-	Ш	-	_	Ш	Н	4	_
135	9	9	3	50		Ц	Ц	$\perp$	
	1	3	4	69		Ц	Ц	$\perp$	
					135	8	5	8 8	1
						Ц	Ц	$\perp$	
73	4	8	6	70		Ц	Ш	L	
65	1	0	7	38		Ш	Ц		
138	5	9	4	08		Ц	Ц	$\perp$	
65	8	0	2	50		Ц	Ц	$\perp$	
72	7	9	1	58		Ц	Ц		
1	1	8	2	61		Ц	Ц	$\perp$	
	Ц		Ц		73	9	7	4 1	9
					61	8	8	4 6	12
	口							I	_
	73 65 138 65 72	73 4 65 1 138 5 65 8 72 7	73 4 8 65 1 0 138 5 9 65 8 0 72 7 9	73 4 8 6 65 1 0 7 138 5 9 4 65 8 0 2 72 7 9 1	73 4 8 6 70 65 1 0 7 38 138 5 9 4 08 65 8 0 2 50 72 7 9 1 58 1 1 8 2 61	1 3 4 69 135 73 4 8 6 70 65 1 0 7 38 138 5 9 4 08 65 8 0 2 50 72 7 9 1 58 1 1 8 2 61	1 3 4 69 135 8  73 4 8 6 70 65 1 0 7 38  138 5 9 4 08  65 8 0 2 50  72 7 9 1 58  1 1 8 2 61	1 3 4 69 135 8 5 8 70 65 1 0 7 38 138 5 9 4 08 65 8 0 2 50 72 7 9 1 58 11 18 2 61 73 9 7	1 3 4 69 135 8 5 8 8 8 70 135 8 5 7 3 4 8 6 70 15 8 5 7 3 8 15 8 5 8 8 8 15 8 8 8 15 8 8 8 15 8 8 8 15 8 8 8 15 8 8 15 8 8 15



### Page 101

Change the values for the following entries:

Plus: Net Income After Taxes (19xx)	32 482.50
Net Increase in 19xx	27 482.50
Balance, December 31, 19xx	54 982.50
Total Shareholders' Equity	114 982.50

### Page 102

Change the values for the following entries:

Less: Allowance for Doubtful Accounts	2 135.00	28 365.00	
Total Current Assets			166 985.00
Less: Accumulated Depreciation - Office Equipment	6 280.00	12 520.00	
Less: Accumulated Depreciation - Store Equipment	8 880.00	17 720.00	
Less: Accumulated Depreciation - Delivery Equipment	8 600.00	17 200.00	
Total Fixed Assets			47 440.00
Organization Costs			2 755.00
Total Assets			237 180.00
Corporate Income Tax Payable	677.50		
Total Current Liabilities		22 197.50	
Total Liabilities			122 197.50

### Page 103

Change the values for the following entries:

Retained Earnings	54 982.50
Total Shareholders' Equity	114 982.50
Total Liabilities and Shareholders' Equity	237 180.00

### Module 4

### Page 11, 15, and 19

The value given on Line 29 of the Used Bikes Debit column, 15 650.00, should be moved to Line 30 of the same column.

#### Page 20

Insert a tax calculation box with the following information at the bottom of the worksheet.

12 400.00
3 781.00
8 619.00
3 016.65
\$3 017.00

#### Page 24

The paragraph on this page should read as follows:

Complete the income statement for Petrina's Pet Emporium for the month ended September 30, 19xx. The net income shown on the worksheet income statement and balance sheet columns is \$8 336.00.

### Page 25

The Adjusting Entry for Corporate Income Tax should be as follows:

	DR	CR
Corporate Income Tax	292.00	
Corporate Income Tax Payable		292.00

#### Page 49

Move the word **Flowers** from Line 12 up to the end of Line 11. Move the remaining lines up one line. Place 35% next to the Corporate Income Tax account title.

#### Page 64

On the second Oct. 7 entry, add the following note:

Note: As units are sold, cost them at the original price. You will have two prices and should consume all the old stock first.

#### Page 65

C. 2

Make the following changes to the materials ledger card. The changes involve values on October 7, 10, and 17, and involve changes to both the Issued and Balance sections of the ledger. The changes are shaded in grey.

					7	38 300	21.35 22.42	811.30 6726.00
10	524	30	21.35	640.50	10	300	21.35 22.42	170.80 6 726.00
17	561	8 32	21.35 22.42	170.80 717.44	17	268	22.42	6 008.56

Also add the following paragraph to the bottom of the page.

Note: On October 7, both the number of units at the old price and the number of units at the new price must be shown. On October 10, all 30 units are costed at the old price. On October 17, the first 8 units are costed at the old price and the remaining 32 units are costed at the new price.

#### Page 88

In the fourth paragraph of Enrichment Activity C, the last sentence should read as follows:

Assume that an analysis of overhead estimates that factory overhead should be applied at the rate of 50% of direct labour.

### Page 88

Make the following changes to the March column in the chart for Enrichment Activity C.

Direct Labour	<b>44.53</b> (not <b>40.48</b> )
Applied Factory Overhead	24.50 (not 24.29)
Unit Cost	113.03 (not 108.77)
Profit Margin	24.87 (not 21.75)
Selling Price	137.90 (not 130.52)

#### Module 5

#### Page 5

Question 3 should read as follows:

3. Using your answer from Question 2 (Total Bad Debts), identify the accounting entry required to adjust the Accounts Receivable asset account.

#### Page 22

Make the following change to question 1.

1. Using the direct write-off method, record the journal entries **on page 10** of the general journal for the following transactions:

Note that the General Journal should show page 10, rather than page 1.

Make the following change to question 2.

2. Using the allowance method, record the journal entries on page 11 of the general journal for the following transactions:

Note that the General Journal should show page 11, rather than page 1.

#### Page 27

Make the following changes to question 7.a.

Insert the words Class 16 after \$28 000.00.

Step 2 for 1988 should read as follows:

```
Step 2: Capital Cost Allowance = $14 000.00 × 40% (Class 16)
= $5 600.00
```

#### Page 28

Make the following changes to question 7.b.

Step 1 for 1989 should read as follows:

Step 1: Undepreciated capital cost, Jan. 1	\$22 400.00
Add cost of additions for the year	27 000.00
Total undepreciated capital cost for the year	49 400.00
Less cost of additions divided by 2	13 500.00
Base Amount	\$35,900.00





This booklet cannot be purchased separately; the Learning Facilitator's Manual for Accounting 30 is available only as a complete set.

